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D 8523 B

U.S. politics: vultures
gather above
Reagan, Page 15

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NEWS SUMMARY

GENERAL BUSINESS

Gromyko warns Bonn on missiles

Soviet Foreign Minister Andrei Gromyko, on the first day of his visit to Bonn, warned West Germany of "serious consequences" should it accept new-generation U.S. intermediate-range nuclear missiles.

Nato decided to install Pershing-2 missiles from this autumn if the U.S. and the Soviet Union did not reach agreement on limitations.

Mr Gromyko pointed out that West Germany was the only country, where it was planned to site the weapons, from which strategic targets in the heart of the Soviet Union could be reached within minutes.

In London, nine women anti-nuclear campaigners were detained after interrupting House of Commons proceedings.

Tough Whitelaw line on shooting

British Home Secretary William Whitelaw promised the House of Commons a "ruthless response" to the shooting by police of a man in a car, apparently in mistake for a man wanted for attempted murder. Prosecution of the officers will be considered.

Victim Stephen Waldorf's condition was critical last night. Page 16

Iraq air attack

Iraq said its air force attacked Iran's main oil export terminal at Kharg Island in the Gulf, and a gas plant in southern Iranian city Ahwaz.

German spying case

West Germany charged woman clerk Ingeborg Babitsch, 42, with spying for East Germany while working at an air base in Bavaria.

Jail reform pledge

French authorities promised that planned jail reforms would be carried out quickly after 41 men slashed their wrists at a prison near Paris.

El Al return

Striking El Al pilots returned to work under threat of instant dismissal, enabling Israel's national airline to resume limited service.

Basque victim freed

Miguel Echevarria, son of a Basque steel magnate, was freed by kidnappers near San Sebastian. It is believed locally that \$1.3m ransom in Spanish and French currency was paid.

Jeweller charged

British jeweller Robert Chatwin, arrested in Denia, Spain, after the discovery there of jewels worth \$4.7m, appears in court today, charged with smuggling.

Guerrilla killed

Peru's most wanted guerrilla, Maoist Carlos Tello, known as Comrade Carla, was killed as she led about 100 guerrillas in a battle with civil guards in the Andes.

'Withdraw degrees'

Radical Egyptian lawyer Abdel Halim Ramadan has started court action to have rescinded Cairo University degrees awarded to the widow and son of the late President Anwar Sadat.

Briefly...

Soviet Union needs to build more than 600,000 km (372,000 miles) of roads to connect villages, says Pravda newspaper.

Twenty people drowned in the Nile near Cairo when their sailboat collided with a floating crane.

Lloyd's moves to suspend Posgate

LLOYD'S of London, the international insurance market, moved again to suspend former leading underwriter Ian Posgate despite a court decision last week that Lloyd's ruling council had acted outside its powers in suspending him. Mr Posgate will be allowed to argue his case before a final decision. Lloyd's also moved yesterday to require working underwriters to disclose earnings from business deals. Page 8

STERLING gained 55 points to reach \$1.5885, and it also rose to DM 3.7475 (DM 3.73), FFf 10.6125 (FFf 10.575) and SwFr 3.0725 (SwFr 3.0625), and was unchanged at 1965.

Its Bank of England trade-weighted index rose from Friday's close \$16 to \$16.5. Page 30

DOLLAR rose to DM 2.358 (DM 2.354) and FFf 6.5625 (FFf 6.55), and fell to SwFr 1.9375 (SwFr 1.934) and Y22.95 (Y22.95), with its trade-weighting down from 117.3 to 117. Page 30

GOLD rose \$11.5 in London to reach \$494.5, its highest closing price since April 1981. In Frankfurt it rose \$15.25 to \$496.5, and in Zurich by \$16 to \$499.5. Page 25

GILTS

FT ACTUARIES ALL STOCKS INDEX

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U.S. compromise 'breakthrough' for budget agreement

BY ANATOLE KALETSKY IN WASHINGTON

Advocates of lower budget deficits and higher taxes in the U.S. Administration have won their biggest economic policy victory to date with President Ronald Reagan's approval of social security tax increases and benefit reductions which should cut U.S. budget deficits by around \$20bn in each of the next seven years.

The reforms proposed at the weekend by the special Presidential Commission on Social Security headed by Mr Alan Greenspan are designed to raise revenues and cut benefits by a total of \$160bn.

Since some of these savings consist of transfers from other government funds the precise effects of the programme on the federal budget will not be clear until after the commission's full report is published on Thursday.

But already U.S. officials are hailing the agreement as a major breakthrough. In addition to the large contribution it will make to reducing deficits directly, the social security reform would serve as a model for further budget compromises to be reached between the White House and the Congress in the weeks ahead, both White House officials and congressional leaders predicted yesterday.

From President Reagan's point of view, the compromise has the further advantage of dealing with what many analysts regarded as the Republican Party's most serious political liability in the last congressional elections - the public's perception that the Reagan administration was willing to allow the collapse of the whole social security system.

The system, which provides almost all American workers with old-age pensions, disability payments and health insurance benefits, would have run out of money by 1984 in the absence of new revenues or benefit cuts.

The President's attempt to secure cuts in social security in his first year in office was the only serious



President Reagan

political defeat he suffered during what is now seen as his "honeymoon" period in the White House.

The after-effects of that defeat allowed the Democrats to turn social security into one of their most effective campaign issues and there was serious concern among political strategists at the White House that Democratic leaders would attempt to pin blame for any cutbacks in the programme.

The compromise programme agreed this weekend, however, has the public endorsement of Mr Tip O'Neill, the Democratic Speaker of the House of Representatives, and other leading Democrats.

The result is that, provided the President and leaders of both the parties can steer the legislation through Congress, social security will have been defused as a political issue in the 1984 presidential election.

About two thirds of the \$160bn will come from a combination of accelerating payroll tax increases originally scheduled for the late 1980s and new taxes to be imposed solely on higher-income social security recipients from 1985 onwards.

Vultures gathering, Page 15

Bonn coalition divided over supplementary tax

BY JONATHAN CARR IN BONN

A NEW dispute - this time over tax policy - has erupted between the West German government coalition partners in the approach to the general election on March 6.

The differences have given further heart to the opposition Social Democrats (SPD), who already feel they are winning more voters to their stance on nuclear arms control.

After days of contradictory reports, the tax dispute came into the open yesterday at a press conference given by the Christian Democrat (CDU) Finance Minister, Dr Gerhard Stoltenberg.

He stressed that the Union parties - CDU and Bavarian Christian Social Union (CSU) - had agreed that a supplementary tax being levied on higher-income earners should not be paid back later this decade as planned.

This decision was part of the CDU-CSU campaign platform and would be implemented through a change in the law if the parties were returned to office after March 6.

But the liberal Free Democrats (FDP) - the junior coalition partner - promptly rejected the CDU-CSU stand which, it said, would undermine business confidence and investment. The tax repayment had been promised and had to be carried out.

The so-called "investment aid deduction" was agreed by the CDU-CSU with the FDP in hasty negotiations after the fall of ex-Chancellor Helmut Schmidt's Centre-Left coalition last September.

It means that individuals earning more than DM 50,000 (\$21,200) married couples more than DM

100,000 annually, would have to make an interest-free loan to the government equal to 5 per cent of their tax burden.

The proceeds of the loan, to be imposed this year and next and repaid from 1987, are to go mainly to help boost the building industry and thus encourage a general economic upswing.

Although technical, the measure contains a lot of potential political explosive. The FDP rejected a supplementary tax on higher incomes when in alliance with the Social Democrats, and only went along with the CDU-CSU variation because the sum would be repaid when the economy improved.

Many in the CDU were against repayment from the first, and - as the election nears - have become

Chase earnings down sharply

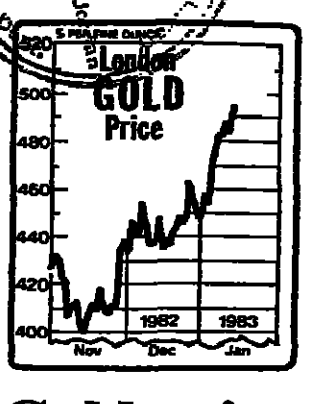
BY PAUL TAYLOR IN NEW YORK

CHASE Manhattan Bank, the third largest in the U.S., yesterday became the first major U.S. bank to report sharply lower fourth-quarter and full-year profits - largely reflecting the bank's dealings with the failed Drysdale Government Securities firm and Oklahoma City's Penn Square Bank.

Operating earnings in the fourth quarter fell by 29.9 per cent to \$108m compared to \$154m in the same period in 1981.

Securities losses of \$7.9m reduced the final-quarter net earnings to \$100.1m or \$2.55 a share compared to a final net of \$129.3m or \$3.86 a share after security losses of \$24.3m in the 1981 period.

Full-year operating earnings fell by 25.7 per cent to \$322m or \$7.79 a share compared to \$444m or \$12.53 a share in 1981. Securities losses for the year reduced net income to \$307.5m or \$7.73 a share compared to \$412.2m or \$11.56 a share in the year earlier.



Gold price comes close to \$500

By Jeremy Stone and John Edwards in London

BROADLY BASED speculative buying of gold in London yesterday pushed the bullion price close to \$500 an ounce. At the afternoon fixing in London, the price reached \$498.50, \$10 an ounce higher than last Friday's close in New York.

Later in the afternoon, however, the price eased to close in London at \$494.50. There was quite a substantial volume of two-way trading but, said one dealer, "the nearer we got to \$500, the more the market tended to run out of steam."

Early trading in New York gave more evidence that an approach to the \$500 level might lead to profit taking, as the price tailed away during the morning. At one stage the New York spot price had slipped to \$488.75.

The rise in gold was the main influence pushing copper prices on the London Metal Exchange yesterday to the highest level since August 1981. The cost price for high grade copper gained \$23.5 to \$1,022.5 a tonne following further heavy speculative buying. Other base metals remain subdued by lack of demand and the firmer trend of sterling against the dollar.

Platinum and silver also followed the upward trend in gold. The spot price of silver rose by 35.5p to \$16.40p an ounce. The sterling quotation for free market platinum was lifted by \$4.75 to \$301.5 an ounce but the dollar price was \$10.25 up at \$479.25.

Although some dealers believe that there are still some short positions lurking in the gold market - reflecting speculation that the price would fall - the broad movement of trading recently has been an influx of small investors.

Dealers in London were agreed that the market had acquired some speculative impetus. Commodities, Page 23; Money Markets, Page 30

UK opposes boost in EEC farm prices

BY LARRY KLINGER IN BRUSSELS

BRITAIN last night stood alone in outright opposition to any guaranteed price rises for EEC surplus farm produce above the European Commission's proposed average 4.4 per cent increase for the coming marketing year.

With only the possible exception of the Netherlands - which indicated that it thought the Commission's proposals were "about right" - Britain was alone among the community members in rejecting any extra price boost for the key products in structural surplus such as milk, cereals and wine.

Even West Germany, the traditional British ally in seeking "prudent" farm price increases, confined its declared opposition last night to Commission agricultural monetary proposals which could reduce any eventual award to its farmers.

The EEC's Agriculture Ministers - meeting yesterday against the sombre background of increasing Community surpluses, static consumption, bumper world harvests and serious EEC-U.S. tensions over competition for limited markets - gave a first reading to the Commission's 1983-84 price proposals, due to take effect from April 1.

Echoing strong warnings from the Commission that EEC financial constraints and the world-market situation provided no scope for greater increases, Mr Peter Walker, the British Minister, said it was

clear that those countries which do not have to pay for the Common Agriculture Policy's excesses were again those anxious to increase EEC spending to benefit their farmers.

Britain and West Germany are the only two significant net contributors to the EEC budget.

The Commission is proposing a 5.5 per cent norm for this year's annual price award, which if its suggested penalties for current milk and cereals overproduction and its proposed monetary realignments were applied, would be reduced to an average 4.4 per cent increase. This is among the lowest price proposals within the past 10 years and contrasts sharply with last year's average 10.4 per cent final award.

Mr Poul Dalsager, the Farm Commissioner, told the Ministers that Commission expectations of continuing high levels of production and growing world stockpiles had been confirmed by independent forecasts and warned that the EEC would "very probably require" a supplementary budget this year even on the basis of the Commission's proposals.

He emphasised that latest figures suggested that the EEC's 8m farmers last year increased their real incomes by nearly 8 per cent.

Green £ parity with sterling. Page 2; Court move on transport policy. Page 16

Belgrade expected to avoid rescheduling

BY PETER MONTAGNON IN LONDON

YUGOSLAVIA appeared last night to have won its battle to avoid a formal rescheduling of its commercial bank debt despite mounting arrears on debt service payments by key borrowing institutions.

Commercial bank creditors, however, are to be asked to provide additional loans to Yugoslavia this year as well as maintaining existing credit lines as part of an international effort to keep the country's \$18bn foreign debt on an orderly footing.

This emerged from a one-day meeting in Zurich yesterday between a high-ranking Yugoslav delegation and a group of leading foreign bank creditors. The meeting was also attended by representatives of the International Monetary Fund.

The readiness of commercial banks to provide assistance is expected to be one condition for a \$1bn rescue package from Western governments which is to be discussed tomorrow in Bern.

Details of yesterday's meeting were slow to emerge, particularly the amount of extra loans banks will be asked to provide. Speculation in London continued that commercial banks will be asked to put up fresh funds in proportion to their existing loan exposure.

Yugoslavia's ability to borrow on commercial markets has been impaired by the spill-over effect of the Polish and Romanian debt crisis and lack of central coordination of its borrowing.

Brazilian debt package. Page 4

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EUROPEAN NEWS

Gromyko warns Bonn on arms

BY JAMES BUCHAN IN BONN

MR ANDREI GROMYKO, the Soviet Foreign Minister, yesterday warned West Germany of serious consequences should it accept the stationing of a new generation of U.S. intermediate-range missiles.

Speaking in Bonn at the close of his first day of formal talks with Chancellor Helmut Kohl's government, Mr Gromyko singled out West Germany as the planned site for new U.S. Pershing-2 missiles.

However, in a speech that mingled threats and blandishments in equal measure, Mr Gromyko did underline Moscow's willingness to negotiate over its land-based missiles, which NATO believes now number over 600.

In December 1979, NATO resolved to install 572 intermediate-range missiles from this autumn unless the U.S. and the Soviet Union reached agreement.

Of the new missiles, 464 ground-launched cruise are to be installed in Britain, Italy, West Germany and, possibly the Netherlands, and 108 Pershing 2s in West Germany.

"We cannot ignore the fact," Mr Gromyko said in a dinner speech, "that the Federal Republic is the only state where the stationing of Pershing 2 missiles is planned, which can reach strategic objectives in the heart of the Soviet Union within minutes."

The Soviet Union claims that the Pershing 2 can reach Soviet territory in six minutes' flying time. The NATO claim is 14 minutes.

He confirmed the offer of Mr Yuri Andropov, the Soviet Communist Party general secretary, to deploy only the same number of missiles as the French and British nuclear systems, which the Soviet Union now holds to be 162. He said the remainder would be moved "to Siberia where they cannot reach targets in Western Europe" and that these would include "our most modern missiles."

This confirms what had already been hinted: that the Soviet Union

will remove some of its force of SS-20 missiles, numbering at least 333 and with three independently targetable warheads. However, Mr Gromyko made no mention of dismantling these systems, as had been hinted to Herr Hans-Jochen Vogel, the Social Democrat candidate in West Germany's March elections, in Moscow last week.

Mr Gromyko, however, sharply rejected President Reagan's "zero option" as a unilateral disarmament by the Soviet Union. "The 'zero option' envisages complete dismantling of the Soviet land-based intermediate-range missile force in return for no deployment of cruise and Pershing.

'Green £' at parity with sterling

By Larry Klingner in Brussels

BRITAIN'S "green pound," its European Community agricultural currency, was brought into line with sterling yesterday, removing for the first time in two years the EEC tax on food imports into the UK.

While good news for the British consumer, the corresponding effect for UK farmers is to erase their long standing EEC subsidy on exports. This could affect Britain's strategy in the series of talks which opened yesterday to fix this year's increase in guaranteed prices for the Community's 5m farmers.

In the European Commission's proposals, Britain was being asked for a 2.3 per cent reduction in the gap between the "green pound" and sterling, which would have meant a corresponding drop in any eventual rise in the UK's farm prices for the coming marketing years.

The recent dramatic fall in sterling, however, has effectively removed the possibility of a "green pound" revaluation, leaving Britain to deal with the overall level of farm-price rises without having to defend its farmers on the monetary front, while accepting a stingy rise that would tend to keep shop prices even higher.

Britain, which had earlier rejected outright any revaluation, made clear yesterday that it was satisfied with the situation in relation to farm prices, provided there were no further dramatic changes in sterling.

Nevertheless, the EEC agricultural system will play a major part in this year's price-fixing.

When "green" currencies are out of line with their national counterparts, the EEC agricultural system acts as a tax on imports and a subsidy for exports, or the reverse, depending on the balance between the two.

In Britain's case, the complex system of frontier taxes and levies called monetary compensatory amounts have for the past two years meant that its farmers have enjoyed hefty export subsidies while UK shop prices have tended to remain higher.

French Right attacks debt level as local poll campaign starts

BY DAVID HOUSEGO IN PARIS

FRANCE's centre and right wing opposition have launched their campaign for the municipal elections in early March with a predictable stinging attack on Socialist management of the economy.

Former President Giscard d'Estaing accused the Government in a radio broadcast on Sunday night of being the largest overseas borrower in the world in 1982. He said that if France continued at such a pace it would be the world's most indebted nation in a couple of years.

The ex-president, who has fully emerged from the political "purgatory" that he imposed on himself after his defeat in 1981, has calculated that interest payment on the debt would cost every Frenchman FF 2,000 (\$300) this year and FF 4,000 by 1986.

He used as his base the widely quoted figure that the total of French public sector and bank borrowing overseas last year reached a record \$25bn.

Mr Raymond Barre, the former Prime Minister, took up the same theme last week. He said on televi-

sion that the level of foreign indebtedness threatened France's independence and limited its room for manoeuvre. As President Mitterrand is known to share similar fears - even though he would think such figures exaggerated - it is an effective line of attack.

The opposition hopes to transform the local elections into a national test of the Government's standing and to inflict a defeat that will force a major policy change.

M Giscard d'Estaing and M Jacques Chirac, the mayor of Paris and the most popular opposition figure, have gone further than this in claiming that a massive rejection of the polls would force the Government to bring forward the legislative elections.

There is no constitutional precedent for this - and clearly President Mitterrand has no intention of bowing to calls for early legislative election. But the Government would find its job more difficult if it received a setback in March.

The Left starts from the disadvantage that the Government's pop-

ularity has tumbled in the opinion polls since the franc's devaluation in June and the subsequent austerity package. The IFOP - France Socio-political opinion poll indicates that the number of those "satisfied" with President Mitterrand slumped to 37 per cent in December before climbing to 39 per cent last week - still the lowest score recorded by any President of the Fifth Republic except M Giscard just before his defeat.

Socialists and Communists combined gained control of 37 towns with populations of more than 30,000 in their victory sweep in the last municipal elections of 1977 but they are expecting to lose a substantial number this time. M Lionel Jospin, First Secretary of the Socialist Party, has said that the loss of 10-15 towns would be normal. The Left is hampered in many urban areas by continuing squabbles over representation between Communists and Socialists.

The Right is also handicapped by the continuing personal rivalries between M Giscard d'Estaing, M Barre and M Chirac.

Davignon sees German steel 'wise men'

BY GILES MERRITT IN BRUSSELS

KEY TALKS on the streamlining of the West German steel industry were held in Brussels yesterday between Viscount Eelco Davignon, the EEC Industry Commissioner, and the "three wise men" recently appointed by Bonn to shape the restructuring of the sector.

The discussion is believed to have centred on the overall capacity cutbacks that the European Commission is seeking as a condition for permitting the DM 15bn (\$6.36bn) worth of financial aids for steel re-

quired from Bonn by West Germany's seven leading steelmakers.

The triumvirate of "steel moderators" appointed by Count Otto von Lambsdorff, the West German Economics Minister, to negotiate stern cutbacks and modernisation measures is understood to have reviewed, with M Davignon, the restructuring targets for 1985 recently submitted to Brussels by the German steel industry.

M Davignon has made it increasingly plain that projected over-

capacity throughout the EEC steel sector is so serious that by 1985 some 30m-35m tonnes must be cut from the forecast total of 150m tonnes of EEC finished steel capacity, rather than the 15m tonnes originally targeted.

Although the three-man panel is not empowered to negotiate with Brussels, it is clear that EEC pressures will play an important part in its activities as a mediator between the West German steelmakers.

The three senior German busi-

ness leaders who were six weeks ago given the task of negotiating a national steel restructuring programme are Herr Gunther Vogel, a former chief executive of Krupp who is also familiar with operations at Thyssen and Salzgitter; Herr Marcus Bierich, of the Allianz insurance group who was previously Mannesmann's finance director; and Herr Alfred Herrhausen, who has a longstanding connection with Klockner Werke and is currently with Deutsche Bank.

Turkish plan to exploit position with free ports

BY METIN MUNIR IN ISTANBUL

TURKEY has decided to establish three free ports and zones in the hope of exploiting its proximity to the Middle East and its associate membership of the European Community.

The foreign capital department of the state planning organisation is working on a decree to be submitted to the Government at the end of the month, an official said. The decree, establishing the free ports, is scheduled to be published in the first quarter of this year.

The zones will be in Yumurtalik, in the south-east, near the port of Mersin and to Syria; Antalya on the Mediterranean; and Alaia near the Aegean port of Izmir, the official said.

"We are hoping to attract compa-

panies from the Far East which seek access to the Common Market and Common Market companies selling to the Middle East," said the official.

The largest zone will be the one in Yumurtalik - also the terminal of the Iraq-Turkey pipeline near Mersin, which has become a booming port as a consequence of the Iran-Iraq war.

Officials hope that Yumurtalik might become a storage point for companies serving the warring neighbours. One country which might be attracted to Izmir is the Soviet Union, which asked the Turkish Government several years ago for space to store containers.

Discussions on taxation are under way with the Finance Ministry. One thesis was to grant complete exemption from income tax and re-

duce the 40 per cent corporate tax by half. Another was to do away with both and levy tax according to turnover.

A similar development is being planned for the self-proclaimed Turkish Federated State of Cyprus, which is taking steps to enhance the competitiveness of its free port and zone in Famagusta, the island's eastern port.

A new bill, expected to become law this year, will exempt firms in the zone from income and corporate taxes for eight years. The former ranges between 20 and 65 per cent and the latter is 48 per cent. Companies in the zone will also benefit from exemption from all other taxes and duties.

The Famagusta free port and zone was established four years ago

and there are nine companies operating there. They include Unipac, an affiliate of the London-based Nadir group, which manufactures cardboard boxes used in the export of the island's agricultural produce.

Nadir controls Polly Peck, whose shares shot up in value last year as a result of the group's Cyprus-based operations. Also operating in the zone are Sezal Turkes-Feyzi Akkaya, Turkey's largest overseas contracting group, and Inrapak, a Swiss concern dealing in bulk operations and packing.

Mr Ismet Kotak, the Turkish Cypriot Industry Minister, said that more than \$1m would be spent this year to complete the second phase infrastructure projects in the zone.

Unemployment figure edges down in France

By Our Paris Staff

FURTHER EVIDENCE that unemployment is levelling off in France has come in December figures showing a slight decrease for the second month running.

M Jean Le Garrec, Minister for Employment, said that within the next two months the total might be brought down below the 2m barrier, first reached last October.

He claimed the latest results which left the total increase for 1982 at 5.8 per cent, compared with 23.4 per cent the previous year - as a success for government job policies, including the cutting of the legal working week to 39 hours, youth training programmes and the innovative "solidarity contracts."

The official jobless rate stood at 8.13m, seasonally corrected to 2.01m, some 1.1 per cent down on November. Unemployment has remained stable at a little over 2m since the early summer.

Renault strikers throw out settlement proposals

BY DAVID WHITE IN PARIS

HOPES OF a solution to disputes at Renault's two biggest car plants evaporated yesterday when striking paintshop workers at Flins, west of Paris, voted overwhelmingly to reject settlement proposals.

The Communist-led CGT trade union, which had prevented the vote from taking place as originally planned last Friday, agreed after several weekend meetings to join other unions and back the consultation.

The latest offer involved increases of up to FF 140 (£12.50) a month on the form of extra allowances. This compares with FF 300 sought by the 200 strikers.

Some 11,000 of the 18,000 workers at the plant are laid off as a result of the strike, which began on January 6.

Similar measures are now threatened at the group's Boulogne-Billancourt factory on the outskirts of Paris, which employs 19,000. A dispute in the paintshop there has ham-

pered production since last Tuesday. The management has called a meeting at the plant today to discuss the situation, with the outlook worsened by the Flins vote.

Production of more than 13,000 vehicles - R5, R18 and R4 models - has already been lost.

The company said it was "surprised" by yesterday's vote, which produced a majority of 165 to two against a return to work.

Meanwhile, at the Talbot car plant at Poissy, near Paris, unions have reacted angrily to the announcement of lay-offs for five days in January and February. Like Flins, the Poissy plant was a flashpoint for damaging motor industry strikes last spring.

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EUROPEAN NEWS

IEA reiterates fears of new fuel crisis

BY RAY DAFTER, ENERGY EDITOR

THE International Energy Agency continues to be worried about the possibility of a new fuel crisis occurring within the next decade.

The agency's economists have looked again at its projections of energy supply and demand and concluded that its previous warnings still hold good. Four months ago it produced an energy study showing that the "deceptively stable" oil market masked underlying trends which could result in further crises. Since then, the oil market has become even weaker and the energy industry's forecasts of future fuel demand have been lowered even further.

IEA economists point out that while problems arising from a tight energy market may have been pushed back a year or two—perhaps into the early

1990s—they have not disappeared. They stress that the impact of the continuing world-wide recession and lowered growth in developing countries has been largely offset by the widespread cancellation and deferral of large fuel production projects involving coal, heavy oil, synthetic fuels and offshore crude oil.

The agency, representing most of the world's industrialised countries, is concerned that it still does not know the true impact of energy conservation measures. Consequently, staff are now working on a project on energy savings. They want to find out how much of the drop in demand has been caused by permanent, structural changes in energy consumption patterns and how much has been recession-led and is thus temporary.

Romania to hold defence spending at 1982 level

BY DAVID BUCHAN

ROMANIA HAS announced that it will hold military spending over the next three years to its 1982 defence budget level of Lei 9.8bn (\$1.97bn), as an example for fellow Warsaw Pact members and Nato to follow.

This emerged from a week-end meeting of President Nicolae Ceausescu with Government and Communist Party leaders, which in effect produced a maverick Romanian "minority report" on the recent Warsaw Pact summit in Prague.

Romania's freeze on defence spending increases would amount to a real reduction, if inflation is taken into account, and it follows a cut from Lei 10.2bn in 1981.

Romanian officials say their country subscribed fully to the Prague summit communiqué, which detailed disarmament proposals by Mr Yuri Andropov, the Soviet leader, and called for a non-aggression pact between Europe's two military blocs. But they added that since Romania could not find agreement among fellow Warsaw Pact members on its particular concern about defence spending levels, the Bucharest Government has now made an additional proposal on this.



Mr Ceausescu... "minority report" on summit

This calls on Nato and the Warsaw Pact to work towards reducing military spending by 20 per cent by 1985 and, as a first step, to freeze defence budgets at their 1982 level. The Romanian statement claimed that Nato and Warsaw Pact military spending accounted for 80 per cent of the world total.

Walesa may take legal action to regain his job

BY CHRISTOPHER BOBINSKI IN WARSAW

MR LECH WALESZA, the leader of Solidarity, Poland's banned trade union, yesterday continued his efforts to return to his old job at the Lenin Shipyard in Gdansk.

Last Friday, he was refused entry to the yard when he went back for his job and he later notified the management formally that he was ready to start work the following Monday.

Yesterday, Mr Walesa said that he would consider taking legal action against the yard if he was not taken back. He would wait for a week for an answer from the yard's management. He made no attempt to enter the yard but knelt and

prayed briefly at the giant monument outside the main gate.

"I was and shall remain a unionist," he said, telling reporters that he considered himself a shipyard worker as well.

The Polish authorities have as yet made no public comment on Mr Walesa's attempts to return to work. However, he has received another summons to attend the Gdansk finance department which is pursuing an investigation into the finances of the Gdansk branch of the union which Mr Walesa headed.

The authorities have already reported "irregularities" in the union's accounts.

Many Moscow lorry drivers drunk at wheel, says Pravda letter

BY ANTHONY ROBINSON IN MOSCOW

MANY OF the lorry drivers operating in Moscow are drunk behind the wheel for much of the day, a group of senior drivers said yesterday in a letter published in Pravda, the Communist Party daily newspaper.

In his inaugural speech to the central committee last November, Mr Yuri Andropov, the new Soviet leader, confessed that he had no simple or ready solutions to the country's pressing economic problems and urged those who did to come forward with letters to the news-

papers and party organs to reveal shortcomings and suggest solutions.

Since then, hardly a day has passed without the Soviet version of the "Yours truly, deeply concerned, Dnepropetrovsk" type of letters flooding into newspaper offices and receiving prominent display.

This latest, from the lorry drivers, urges the workers and managers of state fleets to take a tougher line against drivers who turn up drunk, waste their

time pottering around the garage looking for non-existent spare parts, or roar out of the garage with a full tank and spend their day moonlighting, taking their wives and girlfriends shopping or merely snoozing in the cab in a quiet side-street.

What the letter did not mention was the need for a more effective management system which would reduce empty return journeys or for the manufacture of more small delivery vans which would limit

the need to send a five-ton lorry to deliver a box of groceries.

A lengthy accompanying article on rural roads, or rather on the absence of rural roads and the need to build more of them quickly and cheaply, further underlined the point that Soviet transport problems are not entirely the fault of lazy or drunken drivers.

Sixty years after the foundation of the Soviet state, vast areas of the country are still served by the same rutted,

muddy and unpaved tracks that were no problem for Genghis Khan and his horsemen but bogged down both Napoleon and Hitler. Today, they ensure that a significant proportion of Soviet agricultural produce never leaves the fields and that as much grain falls off the side of a lorry as is imported from abroad.

These tracks also help to ensure that four times as many Soviet workers are employed repairing lorries as are employed making them and that

the average life of a Soviet tractor is less than five years. Pravda revealed that more than 600,000 km of paved roads are required to end the isolation of rural communities in the Russian Federation alone, the largest of the 15 Soviet republics.

Given the shortage of building materials, asphalt and labour, said Pravda, it was up to local administrative authorities and collective farmers themselves to think up new ways of using cheap locally-available materials to do the job.

E. German economy grew 3% last year

By Leslie Collett in Berlin

EAST GERMANY'S economy grew by 3 per cent last year, failing to achieve the 4.5 per cent target, but nevertheless growing at a faster rate than most other countries in both Eastern and Western Europe.

This year it has agreed an ambitious target of 4.2 per cent growth. However, East Germany will no longer be able to reach the planned 5.1 to 5.4 per cent rate of annual economic growth for the current five-year plan ending in 1985. It will be regarded as a success if the economy repeats growth of 3 per cent this year.

Last year's fall in the growth of national income (roughly GNP less services), which had risen by 5 per cent in 1981, was the result of a stringent policy of forcing exports to the West to new heights while slashing imports by 32.6 per cent—not including trade with West Germany.

The East German statistical office said the country last year, achieved a surplus in its trade with Western countries which went toward reducing East Germany's debt to the West.

West German experts on the East German economy say the reduction in debt to the West—\$900m to \$5.5bn—plus short-term supplier credits in mid-1982 was the desired outcome of the radical reduction in imports. However, it deprived the economy of essential imports, such as fodder, which took their toll in reduced production.

Industrial production rose by 3.2 per cent last year, which, German experts said, appeared "rather high" in light of the inhibiting factors. The target for last year was a 4.6 per cent rise.

Labour productivity increased by 3.6 per cent, compared with a goal of 4.5 per cent. The net monetary income of the population rose by 3 per cent instead of the 4 per cent planned and average monthly industrial wages rose to DM 1,075 (£290).

The increase in retail trade turnover, another indicator of the standard of living, was less than 1 per cent against the planned growth of 4 per cent. This reflected the sharp deterioration in supply of food and consumer goods for most of last year.

The statistical office noted that 40 per cent of all East German households now have cars, while 90 per cent have refrigerators, 92 per cent television sets, and 84 per cent washing machines.

James Buxton in Rome interviews Italy's controversial new Treasury Minister

Fanfani's youngest man tackles the economy

WHEN Sig Amintore Fanfani, Italy's 74-year-old Prime Minister, was forming his cabinet at the beginning of last month, the key appointment was obviously that of the Treasury Minister, in charge of economic management. After all, the new Government's raison d'être is to deal with the most difficult economic situation Italy has faced for years, and the previous incumbent, Sig Nino Andreatta, was not to be re-appointed.

The betting was that Sig Fanfani would appoint one of a tiny number of experienced men who had filled the post with some distinction in the past, or even bring in a venerable former governor of the Bank of Italy. But in fact he named Sig Giovanni Goria, who, at 39, is not only the youngest man in the cabinet, but had never been a minister before. Few people outside politics had ever heard of him.

Since then, Sig Goria has put forward a package of economic measures which have been criticised by almost everyone and greeted with a seemingly unending series of small public demonstrations. Serious doubts have been voiced as to how long the Government can survive.

The Government needed—and promised—to rein back urgently Italy's public sector deficit which last year closed at a record L71,000bn, (£33.3bn) against a targeted L50,000bn and which threatened, if unchecked, to go up to L112,000bn this year—17 per cent of gross domestic product and the motor of Italy's 16 per cent rate of inflation.

Transport

Early this month, the Government announced the last of a series of decrees which ought to reduce the deficit by L15,000bn, mainly by raising taxes and charges for the state-provided services such as public transport, but partly by cutting health and social security spending.

These come on top of decrees introduced by the former Government of Sig Giovanni Spadolini last July and of those included in the finance bill, stranded in parliament until this week.

If everything were to go through parliament intact, which is almost inconceivable, then this year's deficit is calculated by the Treasury to come

out at the same level as last year's—L71,000bn—which would be a significant drop in real terms.

Meanwhile, the Treasury is so short of cash that it has had to request parliamentary permission for a one-year loan at a nominal interest rate from the Bank of Italy, because it has exceeded its borrowing limits there. This is widely seen as a way of getting round the fact that since mid-1981 the Bank of Italy has no longer been under obligation to buy treasury bills which the Government cannot sell to the public.

But if all this daunts Sig Goria, it does not show. He remains calm, hard-working and pragmatic. To those qualities he owes his dramatic rise to prominence, as well as to a convenient turn of events in the leadership of his Christian Democrat Party.

Sig Goria qualified as a junior accountant and served in Rome as a deputy from 1976, where he devoted himself to studying the chaotic system of government finance—an essential preparation for his current post. He was a junior economic minister for a time and then led the economic team of Sig Ciriaco de Mita, who became

Christian Democrat leader last May and has been identified with a call for much greater toughness in the management of the economy.

Yet some of the harshest opposition criticisms of the new Government's measures are that they are not tough enough. Sig Goria disagrees. "If you look at the scale of what we are doing you can see that this is the most important manoeuvre of its kind since the war. One can argue endlessly about the estimates of the figures but we have to go on the figures we've got."

Pensions

"Yes, we would have preferred to do more actual cutting, but government expenditure is very rigid. Sixty per cent is wages, pensions and transfers to local authorities, which we cannot control. Fifteen per cent is interest payment. There are other things that can't be cut. The effective scope for cutting is just 2 per cent or 3 per cent of the total."

"By cutting the deficit—the target for this year is an average of 13 per cent and we hope the

monthly rate will be down to 10 per cent by the end of 1983. That will sharply cut the cost of servicing our debt, and the current account balance of payments deficit will come down a lot as a result both of the cut in internal demand and these measures should bring and our plan for keeping down the cost of labour. That should make it possible to hold the parity of the lira, which is currently near the top of its spread in the European Monetary System."

The key problem for Sig Goria, in common with most other Italian Ministers, is that they have responsibility without enormous power. The Treasury, as he acknowledges, has little control of spending—its major responsibility—and its management of the Economy is shared with two other ministries, the Ministry of Finance, for taxation, and the Ministry of the Budget and Planning.

In the circumstances, the fact that Sig Goria does not yet carry immense personal political weight may not matter. What is important is that he shows no sign of being rattled by what at present is close to being an impossible job.

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— in millions of US-Dollars —	1981/82	1980/81	1979/80
Balance sheet total	9.822	7.988	6.051
Claims from money market transactions with banks	1.688	1.248	1.027
Loans and advances to customers	5.162	4.071	3.093
Credit volume	7.694	5.994	4.563
Liabilities to banks	7.943	6.294	4.990
Capital and reserves	161	147	126

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AMERICAN NEWS



Angel Gurria: "could sell ice to Eskimos"

Credit chief tries to sell Mexico's new image

By William Chislett in Mexico City

SR ANGEL GURRIA, the new Mexican Government's Director General of Public Sector Credit, is one of the world's eternal optimists—and it is just as well, since he is sitting on top of the country's debt volcano, whose eruptions have shaken the international financial system to its very foundations.

Sr Gurria's cheerful bearded face is probably the best known abroad of any Mexican official. An immensely energetic and engaging character, he travelled for about six months last year drumming up new loans in the U.S., Europe and the Far East and then soothing the frayed nerves of bankers when Mexico declared last August that it would default unless its \$600m (250m) public sector external debt was restructured.

Unlike many other government officials closely identified with the former government of Sr Jose Lopez Portillo, Sr Gurria has kept his job in the new government of President Miguel de la Madrid, which took over last December.

Indeed, Sr Gurria, aged 32, has been promoted. He now has under his wings domestic as well as his old job of external credit. Sr de la Madrid held a similar job 10 years ago and the post has become a launching pad for higher things.

This year, Sr Gurria will not be travelling so much. Mexico has already raised its 1983 net foreign borrowing requirement of \$5bn through an international commercial credit to complement its International Monetary Fund (IMF) loan of \$3.9bn and thus stave off economic collapse.

One of his main tasks now, Sr Gurria said in an interview, is to go out and for the first time tell the world how we are doing without asking banks for money immediately afterwards.

He is an exuberant salesman and therefore an ideal person to help rebuild shattered international confidence in Mexico, the world's fourth largest oil producer.

"Angel could sell an Eskimo ice," said a European banker who, attracted by Mexico's oil reserves and high economic growth, would use to queue along with colleagues outside Sr Gurria's office to offer the lowest interest rates. The banker now wishes he had not loaned so much to Mexico.

Sr Gurria may well have picked up his selling expertise when he was in charge of marketing coffee exports in Europe for the Government from 1976 to 1978. The large collection of "tomstones," public notices of loans, in Sr Gurria's office bears testimony to his past successes. And the empty coffee canisters outside it emphasise the present sorry state of affairs, with fewer bankers than ever willing to lend to Mexico.

Sr Gurria is convinced that after two years from now, during which time Mexico will go through an austere period and stay out of the capital markets apart from a very small "borrowing requirement in 1984, bankers will once again see the country as "very attractive."

And what happens if the world oil price drops as has been forecast? Has Mexico made any contingency plans? If prices dropped again, "it would put a lot of pressure on things," Sr Gurria admitted. He points out that every \$1 drop in the price of oil lost Mexico \$500m a year based on exports of 1.5m barrels a day. But every 1 per cent decline in interest rates saved Mexico about \$700m annually.

Interest payments, he said, are estimated at \$12bn this year, but they could be less because Mexico has deliberately overestimated the effective cost of its debts. Mexico's economic projections take the effective cost of interest at 13 per cent to 14 per cent, when the present cost (London Inter-Bank Offered Rate or U.S. prime rate plus margins) is less.

Mexico, he conceded, might have to renegotiate some of the IMF loan conditions if there was a sharp fall in oil prices. Mexico's major target for this year is to reduce its public sector budget deficit from its 1982 figure of 16.5 per cent of gross domestic product to 5.5 per cent.

Sr Gurria draws some harsh lessons from Mexico's experience. "It is crucial to maintain a realistic exchange rate at all times and it is crucial to maintain your current account deficit within reasonable bounds, which are financed without straining the economy too much."

Japanese set to boost Brazilian loans package

By Peter Montagnon in London

BRAZIL's prospects of raising \$4.4bn in new loan commitments from the international banking community this year have begun to improve after signs that Japanese banks have overcome their initial reluctance to participate in the facility.

Bankers in New York said yesterday that a first batch of positive replies has been received from Japanese banks who have been asked to provide \$727m. In Sao Paulo, Mr Toshio Watanabe, head of the Brazilian branch of Bank of Tokyo, said that Japanese banks were willing to subscribe their full share of the package.

By yesterday, positive replies to Brazil's request for new money had been received for some \$3.4bn. When the remaining Japanese banks reply this total will rise to around \$3.9bn.

The new money forms part of a four part rescue package which also calls for a refinancing of some \$4bn in maturing debt, maintenance of

short-term trade finance and a restoration of money market lines to Brazilian banks withdrawn since the middle of last year.

Apart from the Japanese, the only other national group of banks that has been slow to reply is the Belgian banks, which have been asked for \$150m and are to meet to discuss their contribution today.

From then on, it will be a question for the coordinating banks of contacting individual institutions among the 121 banks originally asked for the new money who have not yet replied.

The relatively small number of banks involved should make it easier to pick up the stragglers than in the case of Mexico, which asked for \$5bn from some 1,400 bank creditors.

At the end of last week positive replies had to be received in respect of \$4.7bn but it was clearly uphill work persuading the stragglers, some of whom are very small institutions, to come into line.

Salvador army in major push against rebel towns

SAN MIGUEL, El Salvador—About 3,000 troops led by U.S.-trained commandos gathered in San Miguel in eastern El Salvador yesterday, to prepare for a major push against leftist rebels in the northern province of Morazan.

The planned attack is believed to be the biggest anti-guerrilla sweep the Salvadoran army has launched in that province, long a rebel stronghold near the Honduran border, since the start of the civil war three years ago.

A Salvadoran army officer, who asked not to be identified for security reasons, said that troops, led by three U.S.-trained battalions, began the drive yesterday against rebels who control at least 13 towns surrounding San Francisco Gotera, the

provincial capital, 160km north-east of San Salvador.

The troops are using San Miguel, 133km east of the capital and 29km from San Francisco Gotera, as a staging area.

This is the first army drive since the start of the new year. A renewed guerrilla offensive that started on January 8 in northern parts of the country has so far met little resistance.

Joaquin Villalobos, one of the five top guerrilla commanders, announced on Sunday on the guerrillas' Radio Venceremos that his forces had attacked and scattered a 500-man army post at Meanguera, a town 8 kms north of San Francisco Gotera.

Editorial comment, Page 14

Bank of America challenged

THE SECURITIES Industry Association (SIA) yesterday confirmed that it will challenge in the courts Bank of America's \$33m acquisition of Charles Schwab, the largest discount securities broker in the U.S.

The SIA which had been expected to attempt to block the acquisition approved by the Federal Reserve Board earlier this week, said

it will appeal against the decision shortly.

The Fed's decision highlighted the growing trend towards deregulation in the U.S. banking and financial services industries and was based upon its reading of the Bank Holding Company Act which allows banks to undertake activities which are "closely related to banking."

U.S. Steel impose more pay cuts

By Paul Taylor in New York

U.S. STEEL, the largest U.S. steelmaker, plans to cut the salaries and wages of 28,000 management and non-union staff by 5 per cent from February 1 and is forecasting a "staggering" fourth-quarter steel loss.

In the third quarter, the company reported a \$290m (113.3m) operating loss on its steel business and a net loss of \$82.4m compared to a net profit of \$336.9m in the same period the previous year.

The salary cuts are the second in seven months for the company's 18,000 management employees. In July, the company cut managers' wages by 3 per cent as well as reducing benefits and freezing cost of living payments for all its non-

union employees. The company has a workforce of 142,000.

Mr David Roderick, U.S. Steel's chairman, said in a letter to employees: "The deep recession in our national economy continues without letup, and there are still no reliable indicators of a recovery."

The steel industry remains in full and painful depression. Fourth-quarter operating losses, while not yet consolidated, appear to be forecast—staggering."

U.S. Steel's move is the latest action by a major U.S. steel manufacturer intended to trim costs as steelmaking losses. Within the past few weeks, others, including Bethlehem Steel, National Steel and Armco, have also announced

Row persists over Geneva N-missile negotiations

By Reginald Dale, U.S. Editor in Washington

DISAGREEMENTS persisted in Washington yesterday over the U.S.'s conduct of the sensitive Geneva negotiations with the Soviet Union on limitation of intermediate range nuclear missiles in Europe.

Mr Eugene Rostow, sacked last week as head of President Ronald Reagan's arms control agency, maintained that the two sides' chief negotiators had privately worked out a "promising approach well worth further study," as early as last summer.

He was referring to a tentative compromise plan to limit weapons on both sides reportedly discussed by Mr Paul Nitze, head of the U.S. delegation, and Mr Yuri Krivitskiy, the Soviet counterpart, last July.

Administration officials, however, yesterday sharply criticised the draft working paper, which they described as "very faulty." Both Mr Rostow and Mr Nitze were subsequently rebuked for going beyond their negotiating brief, which was the Soviet Union's original insistence that both sides renounce all intermediate missiles in Europe.

The draft proposal, which would have allowed both sides to deploy a reduced number of missiles, was rejected by the Soviet Union in September. Although the U.S. also planned to reject it, Mr Rostow said yesterday that Washington had been more willing than Moscow to continue to work on the possible compromise.

Mr Rostow insisted that the proposal would have set the basic U.S. goals—"a sharp limit on destabilising weapons, and that there be a limit in the Far East on the number of Soviet missiles."

Other officials disputed Mr Rostow's version of the plan, saying it would have allowed the Soviet Union more missiles than the U.S. Mr Reagan is protesting that the Soviet Union dismantled all its 600 or so intermediate missiles in exchange for a Nato decision to forgo deployment of 572 new U.S. cruise missiles from December of this year.

Meanwhile, it became clear that Mr Reagan will face mounting congressional pressure to accept larger spending cuts in the arms budget.

Two influential Republican senators, Mr Pete Domenici, chairman of the defense committee, and Mr Robert Dole, chairman of the Finance Committee, both said that Mr Reagan should dig deeper into military spending

OVERSEAS NEWS

Japan's new Prime Minister is to see President Reagan today

Nakasone—a man in a hurry

By Jurek Martin in Tokyo



Mr Nakasone... young image

MR YASUHIRO NAKASONE has cut quite a figure in the two months he has been Japanese Prime Minister. This may be partly because of the obvious contrast with his predecessor, Mr Zenko Suzuki, who never really wanted the job and did little with it. But, as he arrives in Washington, it is worth examining the evidence to try to determine if the advent of Mr Nakasone means merely a difference in style or in substance, and, if the latter, why.

There was little in Mr Nakasone's wholly conventional path to the pinnacle of political power to encourage thoughts of a new Japanese sensitivity to international concerns. When, in his first action, he packed his Cabinet and party hierarchy with associates of Mr Kakuei Tanaka, it was universally assumed he was simply accommodating the former Prime Minister. The last thing on Mr Nakasone's mind appeared to be the outside world.

Some second thoughts are now necessary. For a start, Mr Nakasone seems to be trying to establish something of a Western-style personality cult around himself. He looks much younger than his 64 years; he seeks to convey an impression of vigour (swimming and ten-

nis, as well as less arduous golf) and the common touch (taking in ET at a public cinema as part of his pre-Washington homework, an act of presumably unconscious irony). He is boning up on his English; he peppers his public utterances with the first person singular in a way that is almost un-Japanese. He appears to be taking a leaf out of the Tanaka book, which is no bad thing for a Japanese politician in courtship popularity.

Like Mr Tanaka, he has not led a placid administration. Going to the U.S. so early conveys a sense of mission: breaking the ice with South Korea by taking off for Seoul last week, even if partially designed to please the U.S., reinforced the notion that he wants Japan to play a more visible regional role: exempting the U.S. from the long-standing Japanese proscription on arms exports serves the same twin purpose.

He has at least been more earnest and inventive on the trade front than his predecessor. The two packages in two months may not have satisfied external audiences, but they did entail domestic political cost—as does continuing to boost defence spending in an otherwise austere budget, even if by not as much as the U.S. wants.

In both areas, Mr Nakasone did not laboriously try to build political consensus in the traditional manner, but moved with more than deliberate speed, and plenty of rhetoric designed to impress the Japanese public with the need for action.

One reason for all this activity may be that he is living up to his nickname (the weather-vane) in recognising that the wind blowing from Washington—and less effectively from

Europe—is just as troublesome as that from domestic tobacco growers and chocolate biscuit manufacturers. In any case, Mr Nakasone stands to the right in a conservative party and is thus something of a potential soul mate for President Reagan.

Another more fundamental reason is that Mr Nakasone may realise that, alongside international impatience with Japan, domestic political time is not on his side. A Lower House election is not due until next year but no one thinks Mr Nakasone will wait that long. The Tanaka time bomb, in the shape of the Lockheed bribery verdict, is ticking under his government. He needs to have his own political reputation established when it goes off, for it could blow him out of the seat of power.

In a speech last week, Mr Nakasone said that his long apprenticeship in politics was simply preparation for the day when he held the reins of government in his hands. That grip is more tenuous than might be imagined, which is why Yasuhiro Nakasone is a man in a hurry. At this stage it is premature to say if his pace is faster than Japan, especially its domestic political power brokers, can stand.

Oman 'offers \$2.50 oil price cut'

By Kathleen Evans in Bahrain

OMAN IS reported to have confirmed its offer of a discount of \$2.50 on its oil price to European buyers. The offer was originally mooted by the Omani at the end of last year, but was held over until after the Oil Ministers of the Gulf Co-operation Council met in Bahrain, last weekend.

Although Oman is only a small producer in Gulf terms, and is not a member of the Organisation of Petroleum Exporting Countries (Opec), a decision to come off the Opec benchmark price of \$24 would be the first break in the price line with Iranian prices, unity which has been maintained by the Arabian Gulf producers. Oman is a member of the Gulf Co-operation Council, which has consistently condemned those Opec members who do not stick to their quotas and give discounts.

Now that Opec is to have another try at securing an agreement on production cuts in Geneva on Sunday, buyers of Omani oil are said to be continuing to exert pressure for a price cut.

According to oil industry reports, Shell has refused the \$2.50 a barrel discount and is asking for a \$4 cut. This would clip Oman's price to \$20 a barrel and bring it more in line with Iranian prices. Oman's oil is of the same quality. Iran is currently selling its oil at \$23.50 on the spot market.

Japanese companies absorb some 150,000 barrels a day (b/d) of Omani crude out of a total output of 360,000 b/d, and they are said to be hesitating over the proposed discount. One trader said: "They want to hold off and let the market do the job. They do not want to initiate cuts themselves, but they will follow whatever Shell is able to get from Oman."

Pressure on Arafat as hardliners reject Mideast peace plans

By Hsian Hsiaz in Beirut

DIFFERENCES inside the Palestine Liberation Organisation (PLO) have widened with five guerrilla groups jointly rejecting both the pan-Arab League for a Middle East peace settlement and the proposals put forward by U.S. President Ronald Reagan.

After a week-long meeting in the Libyan capital, Tripoli, the five factions issued a common manifesto upholding armed struggle as the way for the liberation of Palestine.

The stand by the hardliners is apparently intended to head off cooperation between the PLO leadership, under Mr Yassir Arafat and King Hussein, who is currently touring a number of Arab states to seek their support for Jordan joining the Middle East peace process.

The militant stand also escalates the opposition to Mr Arafat as the PLO prepares for a crucial session of its parliament in exile, the 350-

member Palestine National Council which is due to convene in Algiers next month.

Libyan leader Col. Muammar Gaddafi was quoted by Jans, the Libyan news agency, as saying that the five Palestinian organisations and Libya have laid down a political and military plan to deal with the next stage of developments in the region. He did not elaborate.

Present at the Tripoli conference were Dr George Habash of the Popular Front for the Liberation of Palestine; Nayef Hawatmeh of the Democratic Front for the Liberation of Palestine; Captain Ahmed Jibril of the "PFLP-generals command"; Dr Samid Ghosheh of the Popular Struggle Front and a delegation representing the Syrian-sponsored As Salwa.

Their statements suggest that Libya may have succeeded in reorganising the ranks of guerrilla hardliners in the wake of the removal of the PLO from Beirut last summer.

Egypt hopes to rejoin World Bank affiliate

By Charles Richards in Cairo

EGYPTIAN officials will today urge a World Bank team visiting Cairo to readmit the country to the International Development Agency (IDA) source of cheap loans for third world countries.

Egypt's membership was terminated in 1981 when the IDA decided that its per capita income had exceeded the cut-off point of \$730 a year. But Egypt cites the latest report from the Bank which puts it at \$580 a year and officials say that the country's sources of income are likely to be depleted and are subject to regional political change.

The World Bank team, headed by Mr A. W. Clausen, its president, has already visited Saudi Arabia and Kuwait. In Kuwait yesterday Mr Clausen predicted a global recovery in 1984 but said it might be tempered by a possible recession in developing countries "who rely on commodity exports." He also said he would be seeking increased aid for World Bank activities to give the Egyptian Government greater flexibility.

The Egyptians will be asking in this week's talks for more World Bank loans to be directed to sectors rather than projects to give the Egyptian Government greater flexibility.

Michael Thompson-Noel visits Tasmania and explains why its spectacular scenery may become an election issue

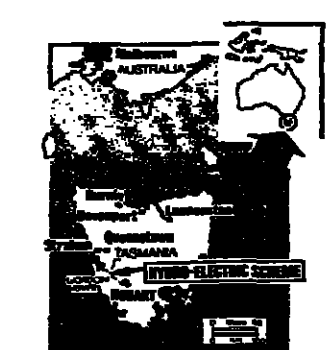
Fraser fishes for solutions to Gordon River conservation row

OFFICIALLY, it is described as a fishing trip. But the four-day visit to Tasmania this week by Mr Malcolm Fraser, the Australian Prime Minister, could well be followed by government intervention in the mounting controversy over Tasmania's proposal to build an A\$500m (132m) hydro-electric scheme on the Gordon River in the face of intense lobbying against the plan by conservationists.

On some counts, failure to intervene in the controversy could spell defeat for the Liberal-National Party coalition, which makes up the Federal Government. In this year's general election, on the other hand, it is claimed that intervention by the Federal Government could spark a constitutional crisis over federal and state rights.

In Tasmania, clashes between police and anti-dam protesters have become more and more bitter. Last Wednesday, 44 supporters of the Tasmanian Wilderness Society were arrested, leading Dr Bob Brown, the society's director, to vow that the society would throw every ounce of energy, and every cent, into fighting the Federal Government at the general election.

At one point, telephone and telefax lines to the Strahan office of the Wilderness Society were cut, leading Dr Brown to complain of "authoritarian measures that will alarm mil-



Map of Tasmania showing the location of the Gordon River and the proposed dam site.

lions of Australians," and prompting Senator Don Chipp, leader of the Australian Democrats, to tell Mr Fraser in protest against what he called the "latest outrage" by Tasmania's police in limiting free movement of "Australian citizens" in Strahan and its environs.

Mr Roger Groom, Tasmania's Police Commissioner, says that the protesters are costing the state about A\$30,000 a day to protect the dam site. Last month, the federal cabinet decided not to block Tasmania's plans for the dam, even though south-west Tasmania now enjoys a world heritage listing as an outstanding wilderness area. Mr Doug Anthony, Australia's deputy Prime Minister, said last week that he thought the Tasmanian Wilderness Society and the Australian Conservation Foundation are prepared to spend

virtually "irrevocable"—which incensed environmentalists. However, it is not clear in Canberra to what extent the "no dam" issue will influence this year's federal election. The Australian Labor Party (ALP) has backed the conservationists, and says it would halt construction of the dam.

For the Liberals, the controversy is fraught with danger, given that the ALP needs only 11 more seats to win power, and that 25 government seats are vulnerable to a swing of 3 per cent or less in their constituencies.

Mr Fraser's visit to Tasmania was described by a spokesman as a "brief break" between his return to Canberra following two weeks' convalescence after spinal surgery, and the resumption of parliament on February 22.

The spokesman said there was "no question" of Mr Fraser visiting the dam site, or of straying into the clashes between police and protesters. Nevertheless, Mr Fraser is under intense pressure to find a compromise. In Canberra, the Liberal Party hierarchy has ordered market research to test the depth of feeling among voters, while according to the conservationists, as many as 20 government backbench MPs are on their side.

It is thought the Tasmanian Wilderness Society and the Australian Conservation Foundation are prepared to spend

David Bellamy detained

DAVID BELLAMY (right), the British botanist, was arrested yesterday near the site of Tasmania's proposed Gordon River dam, our foreign staff write.

He was charged with trespassing on restricted land, which he pleaded not guilty, and was remained in custody in Risdon Jail, Hobart, with about 15 others until Friday.

Mr Bellamy was arrested after making a speech in front of a bulldozer being used to dig up rain forest

opposing the Tasmanian state Government's plans to build a hydro-electric dam in the south-west of the island.

More than 500 have been arrested during the past month in peaceful demonstrations against the project, which would involve flooding caves in which people lived 20,000 years ago. Mr Bellamy's solicitors said he was not prepared to accept bail conditions prohibiting him from returning to the dam site.



David Bellamy, British botanist, was arrested yesterday near the site of Tasmania's proposed Gordon River dam.

A\$10,000 per seat to fight the Government in marginal constituencies, though the groups' election strategy is not due to be hammered out until a joint meeting on February 6.

Meanwhile, the Tasmanian State Government and its Hydro-Electric Commission (HEC) maintain that rival energy schemes, such as coal-fired thermal or imported electricity, would cost more than twice the Gordon River hydro-electric scheme.

They claim that cheap, reliable hydro-electricity has already encouraged major industries to set up in Tasmania. Client users include Comco, the integrated aluminium pro-

ducer; EZ Industries (whose Tasmanian zinc operation was a loss-maker last year); Temco (a subsidiary of Broken Hill Pty); and Australian Pulp and Paper Mills.

The state government says that the HEC's 19 biggest industrial customers, together with the commission's own operations, have created 40,000 jobs, or one in four of the state's total. It points out that the Gordon River dam will flood only 1 per cent of the total area of south-west Tasmania, that existing hydro-electric schemes in the area attracted 60,000 tourists last year, drawn by the spectacular scenery the schemes have created and the finest

trout fishing in Australia, and that before recommending the Gordon River scheme, the HEC analysed all alternatives.

The conservationists, on the other hand, are outraged at what they see as the planned desecration of part of one of the world's three largest temperate wildernesses and claim that "hydro-industrialisation" has proved a failure in Tasmania.

The South-West Tasmania Committee of New South Wales, whose fundraising and publicity reflect widespread concern over the Gordon River issue in mainland Australia, says: "Despite continual hydro development and a 57 per cent increase in power consumption since 1970,

Tasmania had an unemployment rate of 10.1 per cent in September 1982 and workers were being laid off from the very industries which benefit most from cheap electricity."

Protesters argue that Tasmania's huge investment in hydro-electricity has benefited only a small section of the hotel workforce and that it has attracted "footloose" electro-metallurgical industries which import most of their raw materials, export all their products and remit their profits outside the state. They claim that the ratio between the price of "contract" electricity for industrial users and retail electricity rose from 3.43:1 to 3.79:1 between 1970 and 1981.

In the meantime, Mr Kevin Newman, the Federal Minister for Administrative Services, who regards himself as Tasmania's senior federal Liberal MP, maintained that the cabinet's decision not to intervene was final. "The energy question is, and always has been, one for Tasmania to decide," said Mr Newman. "The Tasmanian Government has made that decision. It cannot be reversed by the Federal Government."

Mr Fraser's hoped-for catch this week will be plump brown trout. But he will also be fishing for solutions to a problem which could rank alongside the debilitated Australian economy as a general election issue.



Announcing a £1 billion training scheme to help put British business back on its feet.

Bewildered, battered and bloodied, the British business man and woman deserve something more than yet another patch-and-mend temporary stop-gap remedy.

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For further information simply dial 100 and ask for "Freefone Moorfoot" Mon-Fri 8.30 am – 6.00 pm or fill in the coupon.

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WORLD TRADE NEWS

Airbus Industrie to raise output

AIRBUS INDUSTRIE, the European aircraft manufacturing consortium, is pushing ahead with plans to increase production, despite the recession which has restricted new orders. Michael Donne writes from London.

Production, which began 1982 at a rate of 4.3 aircraft a month, was raised to five a month by end-1982, and will be increased further to almost six aircraft a month by the end of this year.

Total orders for the Airbus stand at 350 aircraft (248 A-300s and 102

European consortium may bring in new partners for development projects

of the smaller A-310s), of which 204 A-300s are in service. Deliveries of the first A-310s start this spring.

To meet existing orders, repeat orders and requests from new customers, material for Airbus production in 1985 is being bought, and buying has begun for 1986 production, covering aircraft Nos. 500 to 550.

Work has also begun at the Airbus production centre at Toulouse on the latest version of the A-300, the Series 600 model. This is a medium to long-range version, seating

up to 265 passengers. First flight is set for July.

Airbus is also planning another new model, the Series 300 long-range version of the A-310, which seats 218 passengers and has a range of about 4,000 nautical miles. The aim is to make this aircraft available from 1985.

Airbus Industrie is still strongly interested in a 150-seater aircraft, the A-320, but is now talking of it entering service in 1988, instead of 1986 as originally proposed.

Airbus appears, at least for the

time being, to have abandoned ideas of using a joint Rolls-Royce/Japanese/U.S. Pratt & Whitney power plant (which has not yet been defined).

It is now talking of using the French/U.S. (SNECMA-General Electric) CFM-56 Dash 4. It says a "firm" proposal on this has been received from CFM International, the engine's makers.

Airbus Industrie says that talks are continuing with the aviation industries of several countries on possible participation on the A-320, including de Havilland of Canada, Fokker of Holland and Aeritalia of Italy, in addition to the existing British, French, West German and Spanish Airbus partners.

Mr Bernard Lathiere, Airbus Industrie's president, says that if the consortium's existing partners retained their present shares in the venture, and the new partners obtained the shares they sought, the A-320 project would be "oversubscribed" by 35 to 40 per cent.

Japanese ship export orders fall 44%

By Andrew Fisher in London

NEW EXPORT orders at Japanese shipyards fell by 44 per cent over the past nine months as the lengthy shipping crisis continued to have a severe impact on the world shipbuilding industry.

The total for the April-December period, the first nine months of the fiscal year, was down to 2.1m gross tons from 3.7m tons.

At the end of December, Japan's shipbuilding export order book totalled 7.7m tons worth ¥1,830bn (¥7.7bn/\$1.83bn), against 8.1m tons worth ¥1,830bn the year before.

The month of December alone produced a mere seven export ship orders totalling 133,550 tons, well down on the 19 ships of 185,550 tons ordered in the same month of 1981.

Officials from Japan and South Korea, the world's largest shipbuilding countries, met in Tokyo next month to discuss the crisis in the industry.

Mr Patrick Jenkin, the UK Secretary of State for Industry, said yesterday he had been "very much encouraged" about prospects for British companies in China after several days of talks with Chinese officials.

Mr Jenkin appeared particularly optimistic about the chances of British companies winning a share of a proposed nuclear power station project in Guangdong province, South China.

He and Balfour Beatty, the UK's largest overseas contractor, are regarded as front runners among overseas concerns that have expressed an interest in participating in the Guangdong project.

He estimated that if GEC won the contract to supply power generating equipment it would be worth £500m to the British company, Balfour Beatty, which is in line to supply transmission equipment, say, secure an agreement worth about £100m.

The British Minister could give no indication when agreements would be reached between the various parties, but he hinted at the possible signing of a declaration of intent by the principals, notably Guangdong province and China Light and Power.

Mr Jenkin said that complex negotiations would be required before a final agreement was reached. It is estimated that the Guangdong nuclear power station will cost between \$5bn and \$6bn to construct.

Other points made by Mr Jenkin at a Press conference in Tokyo were:

● Chinese officials had expressed interest in British capabilities in energy, coal and offshore oil.

● China is anxious to draw on British skills gained in the North Sea in the development of its offshore oil deposits.

● There were good prospects for British companies interested in selling coal mining equipment to China.

● China hopes that British companies will participate in the development of a rich coal deposit in south-west China.

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Philippines suspends industrial projects

By Emilia Yagza in Manila

TWO OF the Philippines' ambitious industrial projects—a \$400m aluminium smelter and a \$900m petrochemical complex—have been suspended after two years of negotiations with foreign partners and suppliers.

In his annual State of the Nation address yesterday, President Ferdinand Marcos said the two projects will be pursued once they attract both the necessary equity investment and long-term financing.

The Philippines, which is awaiting final approval of \$510m in concessional loan facilities from the IMF is under pressure to reduce spending drastically.

The IMF has recommended that for 1983, the Government's budget deficit be pruned to Pesos 8.5bn (US\$2m) from the Pesos 12bn (US\$2.5m) average during the past three years.

The National Development Corporation (NDC), the investment arm of the Ministry of Trade and Industry, has been negotiating with Reynolds International of the U.S. to build the aluminium smelter and to be an equity partner in the project.

Mr Marcos said that since the smelter is energy-intensive, its implementation might have to wait for certain power projects—particularly geothermal and coal-powered plants—to come on-stream.

Meanwhile, the petrochemical complex was originally designed to consist of a naphtha cracker plant and four downstream projects. In 1979, the Government awarded two contracts to a Japanese consortium to build a polypropylene plant to USI Far East of Taiwan, and a similar plant to Hercules of the U.S. The contracts have been cancelled as progress was being made on the support projects.

The suspension means that just two of the Government's 11-project programme to boost the country's industrialised infrastructure are in a state of advanced development.

Those are a \$550m copper smelter and a \$400m phosphoric fertiliser plant. The copper plant is set to start later this year, and has a substantial shareholding by a Japanese consortium composed of Marubeni, Sumitomo and C. Itoh.

The other projects are all still in the planning stage, but have been pursued sporadically depending on the availability of foreign equity and long-term financing.

Jenkin shows optimism after talks in China

By Tony Walker in Peking

MR PATRICK JENKIN, the UK Secretary of State for Industry, said yesterday he had been "very much encouraged" about prospects for British companies in China after several days of talks with Chinese officials.

Mr Jenkin appeared particularly optimistic about the chances of British companies winning a share of a proposed nuclear power station project in Guangdong province, South China.

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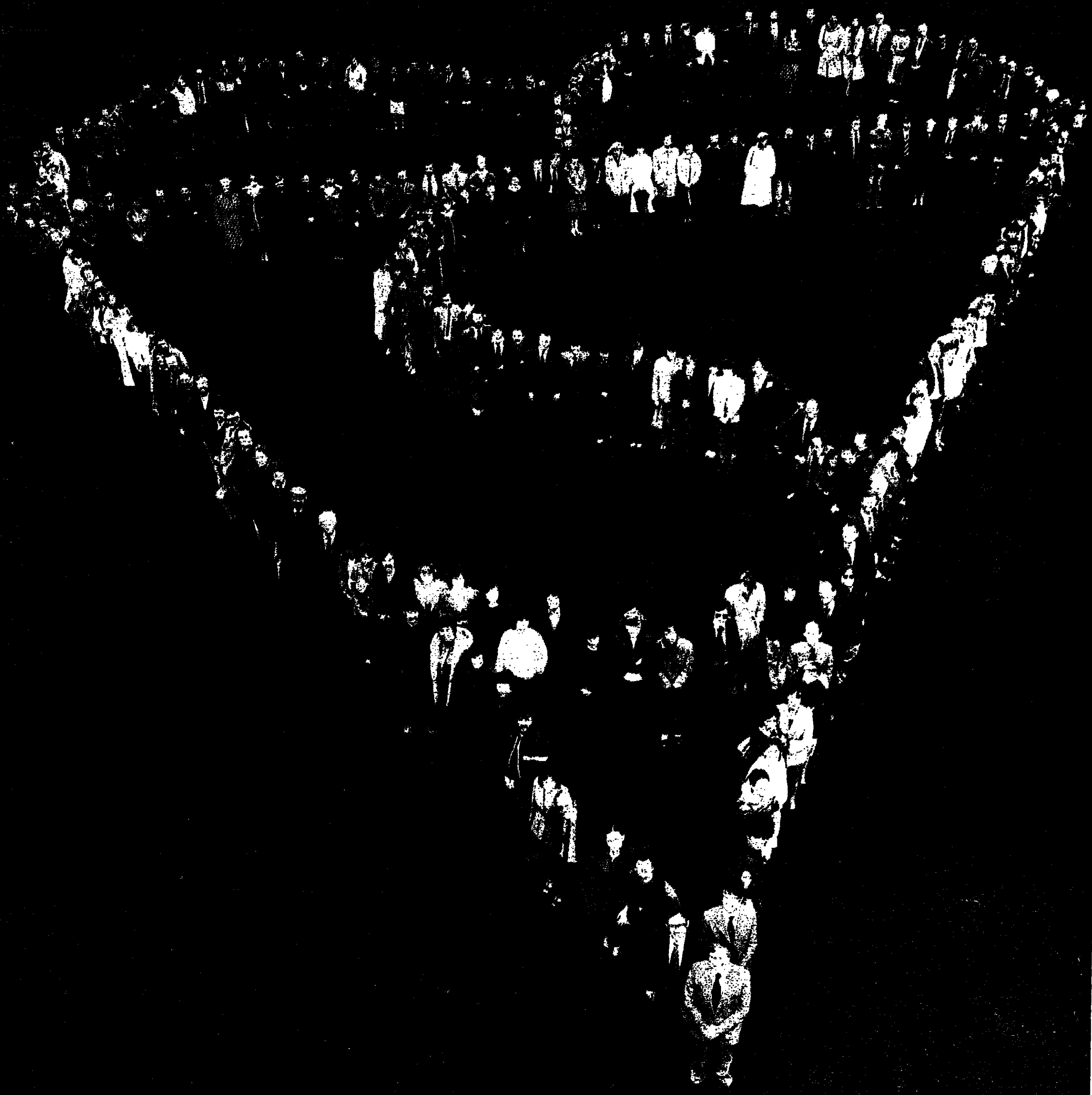
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Milton Keynes.

UK NEWS

Lloyd's to hear Posgate plea on suspension

BY JOHN MOORE

THE RULING council of Lloyd's of London, the insurance market, moved yesterday to suspend Mr Ian Posgate, the former underwriter of the largest Lloyd's insurance syndicate. But before a formal decision is made by the council on his suspension Mr Posgate is to be allowed to argue his case before a Lloyd's sub-committee.

In a statement last night, Lloyd's said its council yesterday studied a memorandum "of allegations" against the conduct of Ian Posgate as an underwriter and member of Lloyd's. The council heard at length Mr Posgate's rebuttal of the allegations.

It decided "by the unanimous vote of those present" apart from Mr Posgate, who is a member of Lloyd's ruling council, "that the allegations were such as to require consideration of the exercise of its powers under the administrative suspension by-laws."

Lloyd's added: "Before a formal decision as to suspension is made, Mr Posgate is entitled to further representation as he may wish. If he so desires, any oral representation will be heard by a sub-committee appointed by the council."

Lloyd's is moving with extreme caution against Mr Posgate, who in his last full year of underwriting at Lloyd's earned £361,200, estimated to be the largest remuneration in the City of London.

Last week, the High Court ruled in Mr Posgate's favour that Lloyd's

"acted outside its powers" in suspending him last September.

Then, the suspension decision was taken by the committee of Lloyd's, the ultimate ruling body of the market until the beginning of this year.

But legislation promoted by Lloyd's, which has just come into force, has created a Lloyd's ruling council, made up of the 16 members of the committee of Lloyd's, including Mr Posgate, who sits on the Lloyd's committee, eight external members of Lloyd's, and three outsiders, with no connection with the Lloyd's market. That council has wider legislative powers than the previous ruling body.

Mr Posgate's suspension by the Lloyd's committee last September followed allegations by Alexander and Alexander Services, the U.S. owner of Alexander Howden Group, where Mr Posgate worked, that he was involved in a series of financial irregularities with four other Howden directors. Mr Posgate was dismissed by Howden's American owners and he is suing for wrongful dismissal.

Mr Posgate was hoping to return to underwriting with his own underwriting agency company, Posgate & Denby, where he speaks for more than 60 per cent of the shares.

Lloyd's said yesterday that Posgate & Denby had informed the council that it wished Mr Posgate to "recommend underwriting on their behalf, but would not authorise him to do so without the concurrence of the council."

Labour resumes attack on boundaries

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

AMID INCREASING speculation that Mrs Margaret Thatcher, the Prime Minister, may call a general election in June this year, leaders of the Labour Party yesterday renewed their legal attack on proposed changes in English parliamentary constituency boundaries. The changes could have a marked effect on the outcome of an election.

Conservatives are likely to gain most from the redrawing of the political map - experts believe it could cost Labour about 30 parliamentary seats. The Boundary Commission was authorised to take account of changes that have taken place in the size of constituencies as a result of shifts in population.

Mr Michael Foot, Labour leader, and three senior party officials yesterday asked the Court of Appeal to overturn the refusal of the Queen's Bench Divisional Court last month to grant orders stopping the Bound-

ary Commission for England presenting a report containing its proposals to the Home Secretary. The appeal is expected to last about three days. If, as is likely, the case were then to go to the House of Lords, there would be a serious doubt about whether, assuming Labour lost before the Law Lords, it would be administratively possible for the proposals to be implemented in time for a June election.

Given the advantage the Conservatives would gain from the boundary changes that factor may be expected to figure largely in Mrs Thatcher's calculations about when it would be best for her to seek a new electoral mandate.

The Divisional Court judges ruled that the multiplicity of complaints made by Labour about the way the Commission went about its task of redrawing constituencies were ill-founded.

Lord Justice Oliver also expressed the view that the Labour leaders had, in legal terms, "no sufficient interest" - as citizens, electors or prominent members of a large political party - to entitle them to challenge the Commission.

The judge said that it was not a case where the court should interfere with or impede parliamentary debate on the matter, and that, in any event, Labour had delayed too long before making the challenge, which would in itself be enough to defeat the claim.

Yesterday Mr John Melville Williams, QC, for Labour, said there were two thrusts to his argument. First, the Commission was required to create constituencies as near the electoral quota - currently 65,753 - as practicable, which involved an objective standard the Commission failed to achieve.

Second, the Commission had a

discretion, where there were "excessive disparities", either between neighbouring constituencies or in relation to the electoral quota, to create constituencies crossing local authority boundaries. That discretion, which also involved an objective test, had not been exercised.

Sir John Donaldson, Master of the Rolls, said the contrast between objective and subjective might be misleading. The central question, he suggested, might be whether the Commission had gone so far beyond what was reasonable that it had not conformed to the rules under which it had to operate.

Sir John added that it was important that electors should understand the case, and he did not think they would understand the difference between objective and subjective tests.

The hearing continues.



Michael Foot: court plea

Standby plans for water stoppage

WATER WORKERS' unions and employers will attend talks today with the Advisory, Conciliation and Arbitration Service in an effort to avert an all-out national strike in the industry from Sunday night and disruptive industrial action from tonight over a pay dispute.

The Government is expected to bring to full readiness its long-prepared contingency plans for dealing with the effects of a national water strike, including the use of about 9,000 troops to take over strikers' work.

Conservatives ahead

THE Conservative Party has improved its standing since the 1979 election among men, trade unionists and in the south of England, according to the latest opinion poll from Mori (Market and Opinion Research International).

The Conservatives are shown with 44 per cent support, against 42 per cent in December. Labour has 35 per cent, the same as previously. The Social Democrat Liberal Alliance has slipped from 21 to 20 per cent.

Rubbish power

BRITAIN'S first rubbish-fired power station is to be built at Corby in Northamptonshire. The £30m plant will burn up to 350,000 tons of domestic refuse a year to provide electricity and heating.

The plant is to be built by a consortium including Corby Council, British Steel and GEC. At full output, it will provide more than 18 megawatts of electricity and 40 megawatts of heat, and should be operating by the late 1980s.

Campaign starts

AN advertising campaign costing £10m is being launched today to find more than 400,000 places for young people on the Government's new youth training scheme.

The scheme, itself costing £10m, will offer year-long programmes of training, work experience and further education.

Tourism review

MR IAIN SPROAT, minister in charge of tourism, said yesterday it was time to overhaul the Government's tourism policy guidelines of 1974, when it was decided to place more emphasis on promoting places away from the main tourist centres.

Lloyd's sets out disclosure rules

BY OUR CITY CORRESPONDENT

WORKING UNDERWRITERS in the Lloyd's of London insurance market will have to disclose the benefits they receive from their associations with companies with which they transact business.

But how much financial benefit the underwriters receive from their shareholding links with insurance or reinsurance groups with which they are trading is likely to remain largely confidential with the Lloyd's ruling authorities.

Mr Ian Hay Davison, who starts work next month as the first chief executive of the Lloyd's insurance market, announced the new proposals which have been prepared by a working party under his leadership over the last two months.

Under the new proposals, underwriting agents, which look after the affairs of all Lloyd's underwriting members, will be required to maintain a register at their business ad-

dresses of their own disclosable insurance interests and those of their employees, partners or close connections. Access to this register will be restricted to members of the Lloyd's ruling council, the Lloyd's committee and auditors. The interests "would be quantified."

In moves designed to stamp out abuse in the Lloyd's market arising from conflicts of interest, the Davison working party has insisted on full disclosure of interests to a central register at Lloyd's.

Members of Lloyd's will not be able to study the relationship of underwriters and the links which those underwriters have with other companies, unless the underwriters act on behalf of the members of Lloyd's.

Mr Davison said yesterday, "I think it is going too far to invading personal privacy to make the quan-

tum (of benefit) public." He said that the register had been modelled along the lines of the register of business interests of Members of Parliament at the House of Commons.

Accounts of Lloyd's underwriting syndicates, the units into which all Lloyd's members are grouped, will be required to disclose material interests in a "fair" way. Underwriting agents who introduce members to Lloyd's syndicates but who do not manage those syndicates will be required to show all material interests of his agency company.

An interest of less than 5 per cent in a quoted company is exempt under the new rules. And "a special case may be pleaded by any underwriting agent providing full particulars are disclosed to Lloyd's and providing the syndicate auditor is consulted."

Lex, Page 16

Interest declines in North Sea blocks

BY RAY DAFTER, ENERGY EDITOR

NORTH SEA companies have turned their backs on many of the oil exploration areas offered by the UK Government and have concentrated their bids on possible gas-producing concessions.

This became apparent yesterday when the Energy Department announced initial details of the oil industry's response to its eighth round of offshore drilling licences. The number of applications was well down on the previous round of licences.

The Department said it had received 60 applications for the 184 blocks on offer. In the previous round, the Government received twice as many applications.

The Energy Department said it still hoped to be able to license about 85 blocks in line with its official target. Officials yesterday began analysing the bids.

It is known that many of the 60 applications contained multiple bids covering several different blocks. As usual, there was also a good deal of overlapping, with a number of consortia bidding for the same blocks.

The Department said that 20 of the 60 applications involved cash tenders for auctioned blocks. On that basis, it seems unlikely that the Government will be able to license all of the 184 blocks open to cash offer. It is thought that many of the applications related to a few, favoured concessions.

Oil companies said yesterday that it was unlikely that the cash tenders would be very high - in many cases amounting only to several hundred thousand pounds. They pointed out that the industry had already had an opportunity of "buying" the concessions for a fixed price of £3m a block in the previous licence round. As a result, the Government may be fortunate to raise more than £10m-£20m from the auction of the 15 blocks.

It is thought that most of the interest in the eighth round has been centred on the 38 blocks on offer in the southern sector of the North Sea, off Yorkshire and Lincolnshire. This is predominantly a gas-producing region where exploration activity has dwindled in recent years.

Companies said yesterday that they were now more willing to explore in this area, given the knowledge that British Gas Corporation will need new supplies in the late 1980s. Prices paid for any gas found will almost certainly be very much higher than they have been in recent years.

Companies have also become more interested in gas exploration because, under recent legislation, they have been allowed to "burn off" the fuel themselves. In the past, British Gas had the monopoly right to buy North Sea gas.

Spending in shops rises 6%

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

A MODEST BOOM in UK shop spending during December pushed the volume of trade to 6 per cent above its level a year earlier, according to official figures released yesterday.

Provisional estimates by the Department of Trade show that the consumer boom in December helped to raise the volume of retail sales for the last three months of the year to a level 4½ per cent higher than a year before.

For 1982 as a whole, it is estimated that the shops did 2½ per cent more business in real terms than in the previous year.

Shop spending, which accounts for nearly half of all consumers' expenditure, is thought to be the most likely engine for the modest economic recovery which most forecasters are predicting this year.

Earlier hopes that economic recovery could be led by exports, or by a revival of industrial invest-

ment, appear less sanguine than a year ago. A buoyancy of consumer spending has taken many commentators by surprise.

Most forecasters are expecting consumer spending to have grown by about ½ per cent to 1 per cent in 1982 (final figures are not yet available) with an increase of about 2½ per cent expected this year.

This would be considerably more buoyant than the outlook for the major European countries, where consumer spending is expected to grow only marginally this year. The Organisation for Economic Co-operation and Development (OECD) predicted in its latest forecast that consumer spending in West Germany would fall by ½ per cent in 1983 and that it would rise by only 1 per cent in France and ½ per cent in Italy.

However, a more buoyant trend in shop spending would only benefit the UK economy if British manu-

facturers can hold their own against imports.

The 12 per cent depreciation of the effective exchange rate of sterling since the beginning of November should help to make British goods relatively more competitive.

On the other hand, tight consumer markets in other countries may prompt importers to hang on to their market shares in the UK by holding down sterling prices at the expense of profit margins.

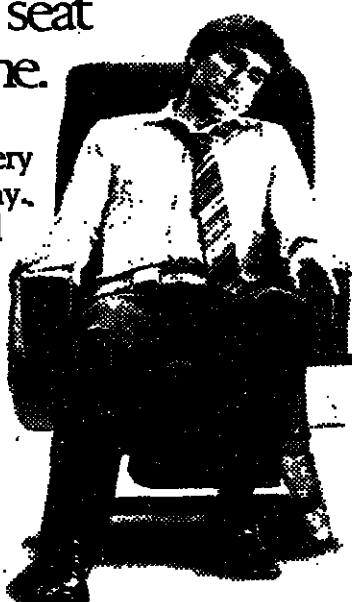
The prospects for consumer spending in the UK are delicately balanced. During the recession, consumers' spending has held up better than predicted because people reduced the proportion of their incomes which went into savings.

The ratio of savings to income is at an exceptionally low level. It is not thought likely that a substantial further increase in spending could be financed at the expense of savings.

This is how we chose our First Class 747 seats.

12 hours on this seat felt like a lifetime.

When it came to choosing seats, we were very particular. We tested many. Which is why we rejected this one. It's too narrow and too shallow with not enough padding. Definitely not right for First Class. And surely not on our new 747s.



Half an hour on this seat felt like 12.

We rejected this one too. It's nice to look at. Even seems comfortable. But that's about all. Not the kind we want you to sit on for a long journey. In fact, after this we tested many more. None came up to the mark. Not until we tried the one we picked.



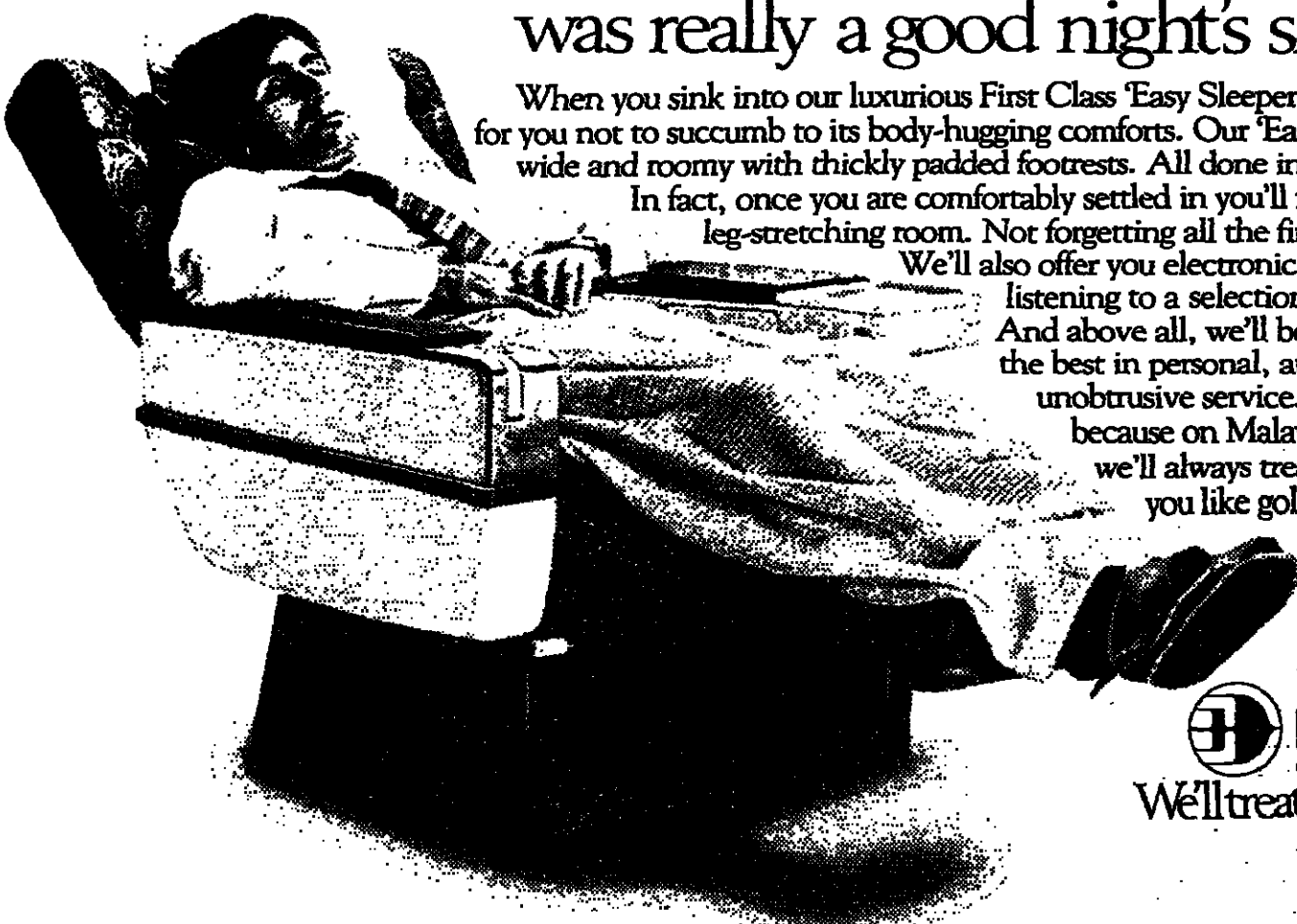
12 hours on this 'Easy Sleeper' was really a good night's sleep.

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Top changes at British Shipbuilders

BRITISH Shipbuilders, the state-owned group, is reshuffling top management in preparation for the departure of three key executives later this year.

Mr John Parker, head of merchant shipbuilding, is leaving to run the Harland & Wolff yard in Belfast; Mr Kenneth Griffin, deputy chairman and Mr William Richardson, head of warship yards, are also going.

Mr Parker's successor will be Mr Herbert Rice, at present managing director of Sunderland Shipbuilders, while Mr Geoffrey Fuller, former director of naval shipbuilding at the Ministry of Defence succeeds Mr Richardson. A successor for Mr Griffin, who was once tipped as a possible chairman for the National Coal Board, has not been named.

Mr Rice will also become chairman of Swan Hunter, the Tyneside merchant and naval yard.

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NOTICE OF OPEN INTERNATIONAL CALL FOR TENDERS

NUMBER 46.01.83

An open International Call for Tenders is being launched with respect to the supply of:

— Machine-made paper and cardboard.

Interested companies may obtain the specifications relating thereto from the following address:

— SNED — Unite Papeterie (Stationery Unit) — 8, Rue Mohamed Arezki Ben Bouzid les ANASSERS, Alger (Algeria); for a sum of 200.00 DA.

Offers must be filed within 45 days from the date on which the present notice is published.

Offers must be sent by post to the above address in a double sealed envelope.

The outer envelope must be completely anonymous, bearing no information which might identify the company.

The said envelope should bear the following wording only: "SNED" — Unite Papeterie — 8, Rue Mohamed Arezki Ben Bouzid les Anassers — Alger "Avis d'Appel d'Offres International No 46.01.83 pli confidentiel" — A ne pas ouvrir — DDP Service des Marches (SNED — Stationery Unit — 8, Rue Mohamed Arezki Ben Bouzid les Anassers — Alger "Notice of International Call for Tenders No 46.01.83, confidential — do not open" — please forward to Contracts Department).

Tenderers shall remain bound by their offers for a period of 120 DAYS.

Offers must be accompanied by the following documents, or they will be declared null and void:

— Articles of Association of the company.

— Declaration to be signed.

— Bid.

— Fiscal status in Algeria and in the country in which the company's head office is located.

— Latest balance sheet.

— List of main shareholders and partners.

— Declaration that the company does not have recourse to intermediaries, in accordance with Law No 78-02 dated 11 February 1978, relating to State monopoly on foreign trade.

Industry raises the roof to avoid taxation

By Robin Paulley

A GROWING number of companies are removing the roofs from their buildings or demolishing them, encouraged by the Confederation of British Industry, to avoid local authority rates (property taxes) on void property.

Mr John Owen, group managing director of Rubery Owen, said the company was saving £300,000 a year by removing the roofs or demolishing about 500,000 sq feet of factory space at Darlaston, Staffordshire. "One of the chief motivating factors was the void rating system," he said.

Other examples, published by the CBI, include:

● Dupont, in the West Midlands where the roof is being removed from 800,000 square feet of property not producing any income. The saving is £200,000 and one of the premises was only a few hundred yards from the district authority boundary; on the other side was a council which did not exercise its right to charge rates on empty properties.

● Plessey Telecommunications, Liverpool, saved £54,000 in rates and £150,000 in insurance, heating and other costs by knocking down seven buildings covering 140,000 sq feet.

● Len Lethbridge, in Central Scotland, saved £40,000 by building a wall across its 140,000 square foot warehouse to halve its annual rates bill while only half the storage space was needed.

Mr Bryan Rigby, CBI deputy director general, has urged the Government to consider four points to alleviate the problems of rates for commerce and industry which will pay a total of £5bn in 1983-84. They are: a limit on business rate increases, partial business derating, abolition of the empty property business rate, and rates relief for premises mothballed during the recession.

There are no signs at the moment that the Government is prepared to accept any of these proposals.

SALARY INCREASE AFTER 'PASSABLE' GROUP PROFITS

£101,900 pay rise for BOC's chief executive

By RAY MAUGHAN

MR RICHARD GIORDANO, the American lawyer turned industrialist who runs BOC Group, confirmed his position at the top of Britain's income league yesterday with a salary increase of £1,950 a week in the year to September 1982.

The industrial gases, welding equipment and health care group gave him a rise of £101,900 last year to bring his gross annual salary as managing director and chief executive, up to £579,000, or £114,185 each week.

Boardroom salaries at BOC climbed from £176m to £2,03m which was shared between the 13 main board directors. Sir Leslie Smith, the chairman, received a £1,000 salary increase to lift his annual earnings to £122,000.

Executive remuneration, BOC explained, is decided by a compensation committee of the six non-executive directors and is made up of basic salary, bonus payments and currency adjustments for that year.



Mr Richard Giordano

Last year BOC pushed up profits by £1.1m to £102.6m for a performance which the group said was "passable but not terribly exceptional." Total group employment was cut by 9 per cent to 38,370 people and the UK wage bill was reduced by £5.5m to £106m.

Mr Giordano sold 4,620 shares in the company last year and now holds 84,098 shares. He has, however, recently received the right to buy 400,000 BOC shares at 20p each between 1986 and 1989 under the senior executives shares option scheme. The share price dropped 8p to 170p last night.

Mr Giordano, who is 47, took over at BOC in 1979 after the British group took over the American company Airco, where he was president.

In the year to September 1981, when BOC increased its profits by £31m to more than £94m, Mr Giordano was awarded a salary increase of more than £200,000 a year. A company spokesman said: "It is a reward for success. There is no question of having to justify it. Mr Giordano is worth the money."

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Idle ships again at record level

By Andrew Fisher

THE GRIM state of world shipping was further underlined yesterday by figures which showed that idle tonnage at the end of November last year, the latest figure available, was 81.5m deadweight tons - again the highest on record.

This figure, calculated by the General Council of British Shipping for the end of November, was nearly 2m dwt up on the October 31 level.

and represented some 12 per cent of world shipping.

It was the sixth month running that laid up tonnage had been at a record level. The bulk of the ships affected were tankers but dry cargo ships are now forming a larger proportion of the total.

The end of November figure comprised 59m dwt of tankers (17 per cent of world tonnage) and 22.5m dwt of dry cargo vessels (8 per cent). At the start of last year, the total was 27.4m dwt, including 24.8m dwt of tankers.

The volume of world shipping laid-up is nearly nine times the 9.2m dwt recorded at the end of 1980. Freight rates remain near rock-bottom levels.

Since then, the tanker crisis - reflecting lower fuel demand in the recession and changed market patterns which have made many big ships outdated - has worsened and other sectors have also run into trouble.

The problems of the shipping industry have, in turn, spilled over into shipbuilding, with world yards struggling to win new business as their order books shorten.

Fleets with the most idle tonnage at the end of November were those of Liberia, a flag of convenience country, with 19.8m dwt affected, mostly tankers, Greece with 19.7m dwt, and Norway with 11.4m dwt.

TAX LOOPHOLE UNLIKELY TO BE CLOSED IN BUDGET

Cash pours into 'roll-up' funds

BY CLIVE WOLMAN

HIGH-RATE UK taxpayers have been investing money in "roll-up" offshore funds in increasing amounts over the past few weeks. There are growing signs that the tax loophole from which the funds benefit is unlikely to be closed by the budget in March.

Rothschild's Guernsey-based Old Court International Reserves, the largest such fund, saw its deposits rise from £176m at the end of September to £277m two weeks ago. After a further inflow, its deposits are now worth almost £300m.

Lazard's Sterling Reserve fund, officially managed in Jersey, has soared from £28.5m in early October to £33m at the end of last week. Smaller funds have marked up even larger percentage increases. Hill Samuel's currency fund, for example, has nearly trebled in size over the last three months to reach £23.75m.

The major selling point of all the funds, whether they hold deposits in sterling or in foreign currency, is that they "roll-up" their clients' investment income into capital gains by ploughing back the accrued interest into the fund to push up its value.

The Inland Revenue backed away from a legal confrontation in September, after issuing threats for three years. Since then, individual depositors have been exempted from paying tax on the interest and are subject only to capital gains tax.

With the taxman now adjusting capital gains for inflation, this represents an effective tax rate of between zero and 10 per cent only, instead of the 45 to 75 per cent rate on investment income.

Fears that the Inland Revenue intended to strengthen its powers in this year's Finance Act were assuaged last month when a government consultative document on proposals to clamp down on international tax avoidance failed to mention offshore roll-up funds. Nor has the Government resorted to the traditional method of warning of an impending closure of a tax loophole - by answering a pre-arranged parliamentary question.

Mr Malcolm Gammie, head of the national tax office of accountants Thomson McIntock, said: "If they were going to give advance warning, they would have done so by now, only two months before the budget."

Mr Charles Potter, QC, a specialist in tax law, said it would be difficult for the Government to draft legislation against the offshore roll-up funds without also harming investors with shares in overseas trading companies, or even in British companies with overseas subsidiaries.

Mr Potter said that the crucial Section 478 of the 1970 Income and Corporation Taxes Act, which deals with overseas investment, had already been tampered with once in 1981 to reverse a court decision against the Inland Revenue. The Government might be reluctant to attempt to tighten it again.

No one doubts that the Government will be compelled eventually to act. "At the moment the tax loss is small," Mr John Kay, director of the Institute for Fiscal Studies, said. "But if nothing is done, word will spread around and everyone - even grandmothers - will put their money into these funds instead of using their banks."

Inland Revenue officials will not discuss possible legislative changes. But press officer Mr Pat Lewis pointed out that the Government's policy was not to introduce retrospective tax legislation.

Switch to short-term job hire

BY OUR NORTHERN CORRESPONDENT

MANUFACTURING companies have been adopting the practice of offering three and six-month work contracts to skilled and unskilled manual workers as a way of marrying the size of their labour force with short-term improvements in orders.

In engineering, this practice - which is designed to prevent the necessity of hiring new labour and then making workers redundant - has been met with reluctant acquiescence on the part of some officials of the Amalgamated Union of Engineering Workers.

It is unclear how widespread the practice is, and it might be confined so far to a very few companies. Some industrial and union leaders predicted yesterday, though, that such short-term contracts would become more popular to managers if manufacturing benefited from a jump in orders but for which long-

term trade forecasts were still unpredictable.

The British Steel Corporation provoked an angry response from unions last week when it told them that redundant workers at its Hardopole pipe mill would be taken back on a contract basis when orders returned.

The main steel union, the Iron and Steel Trades Confederation, likened the move to "a return to serfdom" and is recommending workers today to reject the idea.

The engineering union in the North-west of England, which appears to have more companies offering short-term contracts than elsewhere, has been sceptical about short-term employment, where it believes this is the only way of obtaining jobs.

Mr John Tocher, divisional organiser for the union in much of the North-west said, however: "Unless

we believe it is genuine we will not agree to temporary employment. It is one of the ills of the recession that has slipped in, but in some cases we have been misled by companies who are trying to casualise their workforce. It really is a dilemma for us."

One company in central Lancashire, which employed 800 at the beginning of last year, has taken on a further 100 workers since then, initially on a three-month contract followed by a further three-month contract with the prospect then of permanent employment.

A spokesman for the Confederation of British Industry's North-west region, said the practice was being used and discussed "very frequently" at CBI meetings. Use of overtime and varying short-time working were the usual means of coping with short-term surges in output.

Sharp profits increase for textile companies

BY NICK GARNETT

PRE-TAX PROFITS of 173 public companies in the British textile and clothing industry rose last year to £569m, a jump of 41 per cent over the £404m announced by the same companies in 1981.

According to a report published yesterday by Frederick Tattersall, the Manchester textile consultants, the improvement in performance of 18 integrated groups in the trade was even better. Their aggregate pre-tax earnings rose from £90m to £192m, an increase of 113 per cent.

The average dividend paid across the industry was marginally lower than during the previous 12 months, although slightly higher for the integrated groups.

Pre-tax earnings of 31 companies involved in spinning and weaving announced during last year rose from £5.8m to £16.5m. The Tatter-

fall report also underlined some improvements in carpet manufacturing which has experienced severe trading difficulties.

Two years ago, 10 companies in the carpets sector had a deficit of £870,000 but this was turned last year into pre-tax earnings of £7.6m. A large part of this turnaround, however, was due to a profits surge by the Scafe Group.

For the same period, the 42 companies in clothing manufacturing raised their profits slightly from £21.4m to £26.6m. Marks and Spencer accounted for much of the profits rise of the group of 19 clothing and carpet retailers in the survey from £252.2m to £266.9m.

The 20 companies in hosiery and knitwear manufacture reported a marginal rise in pre-tax profits from £8.6m to £8.9m.

Scottish forest industries to be encouraged

By Mark Meredith

PLANS were announced yesterday to promote forest product industries in Scotland to coincide with an expected doubling of the country's timber output over the next 15 years.

Scotland, which provides more than one third of Britain's wood production, is seen as the one remaining large uncommitted forest resource in Western Europe.

The plans were outlined in a review of Scotland's forests, undertaken by the Scottish Development Agency and the Highlands and Islands Development Board.

Sir David Montgomery, chairman of the Forestry Commission, said yesterday that opportunities for capital investments of £300m over the next 15 years had been identified. These included sawmills, wood panel production and a pulp mill.

What if you chose Hewlett-Packard as a computer partner?



"In one year our HP 3000 systems have increased our efficiency by 25% and helped us to the top of a market we had only just entered."
- Val Lewthwaite, Division Manager, WHS Distributors, Leicester.

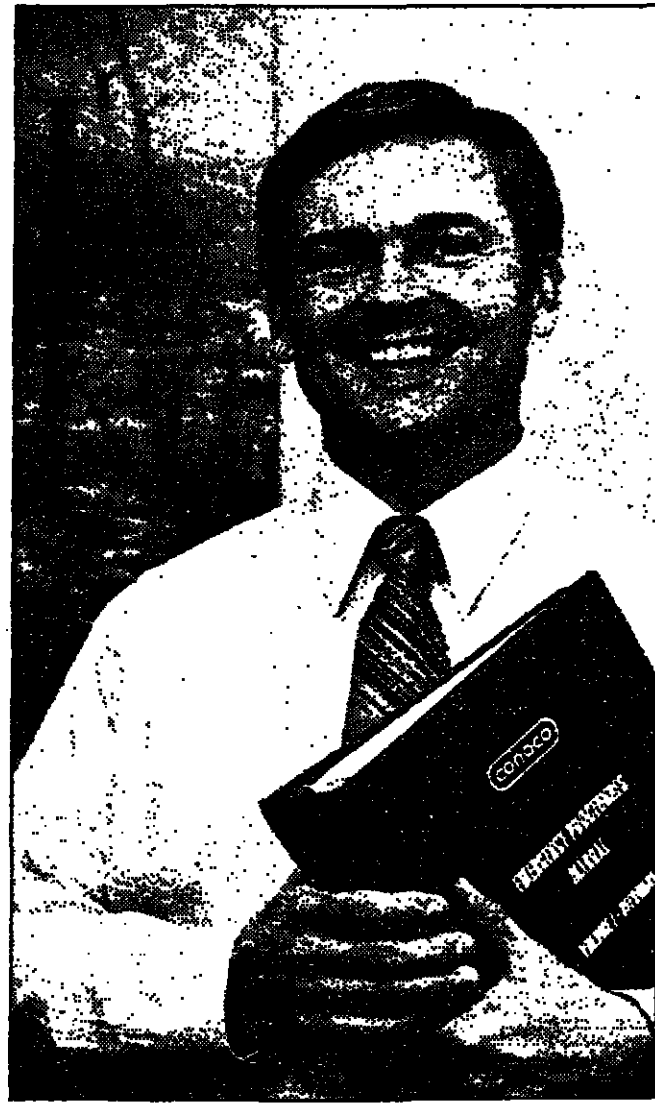
Since WHS Distributors, a division of W.H. Smith & Son Limited, was founded 10 years ago, it has become Britain's leading distributor of hardback books. In 1981, with orders reaching 10½ million books a year they entered an entirely new field - the distribution of travel brochures - and within 12 months, they had won a 20% share of this competitive market.

The rapidly escalating success of both these ventures is not unconnected with the coming-on-stream of two HP 3000 computers.

The first of these systems runs WHSD's uniquely comprehensive book operation. The system encompasses not only the logistics of distribution, but the marketing, sales, accounting, order-processing and stock management functions for some 5,000 current titles. In the past year, the introduction of the HP 3000's and productivity improvements have significantly reduced in-house order processing time.

The second HP system is dedicated exclusively to controlling the intricacies of the travel brochure business - masterminding the distribution of brochures to over 4,500 travel agencies throughout the UK as well as keeping hour-by-hour control of order-processing, stock control, and statistical information. In this time-sensitive business, up-to-the-minute data is essential and a valuable feature of the HP system is its ability to generate ad-hoc reports for tour operators at a moment's notice.

Says Val Lewthwaite: "To be in a position to challenge the market leaders only 12 months after entering the market is very gratifying. It's proved to us how adept the HP 3000 is in taking on highly specialised tasks alongside the traditional business functions."



"Since transferring personnel movement records on to the HP 3000, we've achieved tighter security, streamlined personnel deployment, improved flight scheduling and saved 3 hours admin. time per platform per day."
- Don Anderson, Platform Operations Manager, Conoco (UK) Limited.

Any day of the year there are up to 300 people working on Conoco's Murchison platform. Of these, typically 50 will have just arrived and 50 will be just about to leave.

Traffic on such a scale in so remote an environment is a logistical nightmare. It also makes the statutory maintenance of Personnel-on-Board (POB) records an administrative burden.

So, in 1979-80, Conoco began development of a Personnel Movements Control (PMC) system based on their HP 3000 Series III computer in Aberdeen. It supports data-capture terminals on the platforms and at each end of the key staging posts, programmed for automatic badge-reading and for manual input.

The system has three main elements; a personnel detail file, a flight scheduling service and a continuously updated list of personnel on board. Among the practical benefits, the system allows the helicopter terminal in Aberdeen to schedule flights efficiently, based on accurate passenger and baggage details. Movements to Conoco's North Sea installations from Aberdeen have been simplified for those travelling. In an emergency, information on personnel involved can be provided within minutes - information that could save lives.

Don Anderson says "The system has been very well received - a credit to the HP 3000's user-friendliness. It has already awakened the interest of other North Sea operators."

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The performance of an HP system, its engineering excellence, its reliability and its service support, have only one criterion of success - the tangible results it brings to the user. That's true not only of HP computers but of HP electronic, medical and analytical instruments and systems, HP semiconductor components and personal calculators.

Hewlett-Packard in Great Britain

In 1981 Hewlett-Packard Limited had a turnover close

to £120 million which puts the company well into the top 500 'Industrial' companies in the UK. Employees now exceed 2,000, of whom more than half are in sales and customer support.

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LEEDS PERMANENT BUILDING SOCIETY

In the course of his address at the 134th Annual General Meeting on January 17th, 1983, to present the results for the financial year ended September 30th, 1982, the President, W. Leonard Hyde, F.C.B.S.I., said:

"The Society advanced a record \$848 million to 51,000 members, 53% to first time buyers."

"For the preservation and rehabilitation of older properties we lent over £180 million on dwellings built before 1919."

"...a travellers cheque service enables investors to withdraw from their accounts in the form of sterling travellers cheques...without any charge."

FINANCIAL RESULTS

Total Assets	\$4240m
an increase of 19.55% on 1981.	
Liquid Assets—in the form of cash and Trustee investments.	\$857m
Total Reserves	£186m
representing 4.4% of total assets.	
Mortgage loans outstanding	\$3320m
New investment accounts opened—607,000.	

the Leeds PERMANENT BUILDING SOCIETY

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M. J. H. Nightingale & Co. Limited

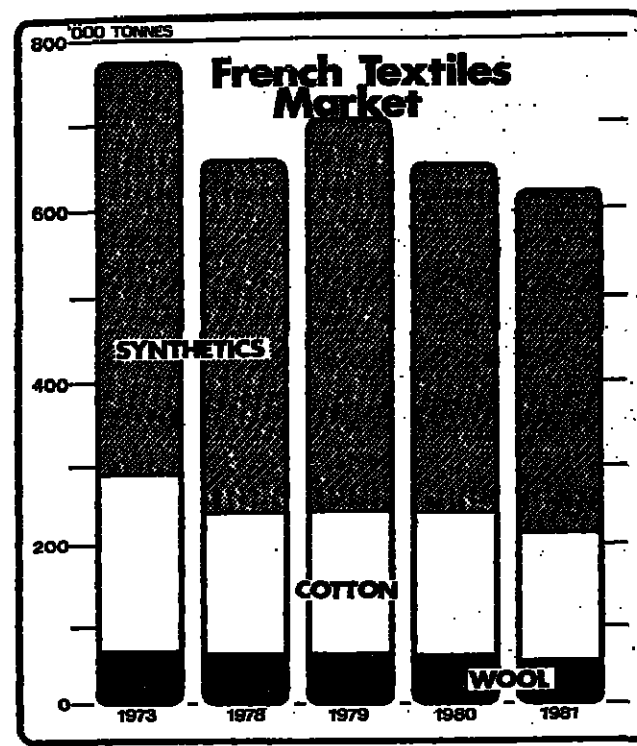
1982-83	Company	Price	Change	Gross Yield	P/E	Fully
High	Low			div. (p)	%	Actual
130	120	Ass. Brit. Ind. Ord.	133	8.4	4.8	7.8
160	117	Ass. Brit. Ind. Ord.	150	10.0	5.7	—
74	57	Arsington Group	66	6.1	9.2	7.5
46	36	Armstrong & Rhodes	38	4.3	11.8	4.0
287	197	Bardon Hill	267	11.4	4.0	12.1
123	100	CCL 11pc Conv. Pref.	121	15.7	13.0	—
220	240	Cindoco Group	245	17.8	7.2	9.9
88	56	Deborah Services	58	6.0	10.3	3.8
153	125	Frank Marshall	153	7.9	5.2	6.4
55	38	George Blair	38	6.4	10.0	3.2
100	78	Ind. Precision Castings	78	7.3	9.4	10.0
135	100	Isle Conv. Pref.	127	7.5	9.9	3.9
127	94	Jackson Group	127	8.6	5.6	12.5
172	111	James Burrough	171	20.0	11.6	1.9
260	170	Robert Jenkins	170	5.7	7.7	9.6
63	54	Scruttons "A"	74	11.4	9.7	5.2
167	117	Torday & Carlisle	117	6.4	8.8	5.2
28	21	Unilever Holdings	24	14.6	5.7	8.6
254	214	W. S. Vesta	254	14.6	5.7	8.6

Prices now available on Frostat page 48146.

THE FRENCH TEXTILES INDUSTRY

The high cost of stemming the tide

By Anthony Moreton, Textiles Correspondent



The industry is important in terms of numbers. The Government wants to see it prosperous.

FROM HIS office on the Montée de Chouans, high above the centre of Lyons and the great Rhone which flows through it, Jean Vachal can look over one of the most important textile regions in France. He is general secretary of Uitec, the textile employers' federation for the area, and what he sees pleases him.

"Last year was a good year not only for Lyons but for the whole French textile industry. Output probably rose by around 5 per cent, the downward drift in employment was halted and the measures introduced by President Mitterrand's Government gave the industry a boost."

The relative prosperity of the French textile industry is in contrast to what is happening in the rest of Europe. The British industry, first into the recession, is still deeply troubled. The Germans nose-dived last year, accompanied by the Belgians, and even the Italians, with their powerful industry, the largest in Europe, are envious of aspects of France's present prosperity.

That prosperity is the consequence of the stimulation of consumer spending introduced by President Mitterrand last year after he took office. The French are highly clothes conscious and spend some 6 per cent of their money on suits, shirts and skirts.

small rise in numbers employed in both France's textiles and garments last year, the only European country to be in such a happy position.

But if 1982 has been a good year the outlook for the next twelve months is uncertain. There is a feeling that growth, even if it happens, will be minute and the best that can be hoped for is a breathing space. To exacerbate matters, imports are growing in importance and now take 12 per cent of the French market.

This disappoints the Government, which has made the regeneration of the textile industry one of its principal aims.

Under President Giscard industrial policy concentrated much more on looking for future winners and tended to support hi-tech and hi-tech. Textiles had a central place.

This change owed much to Pierre Dreyfus, Mitterrand's first minister of industry. M Dreyfus was not a machine politician; he had for years headed the nationalised Renault car company.

The Dreyfus approach was based on:

- Introduction of "contracts of solidarity," an investment and job package.
- A cut of up to 12 per cent in social charges, such as insurance and health contributions.
- Stimulation of investment through low-interest loans.
- The setting up of a Textile Promotion Centre.

The main arm of the policy, the contracts of solidarity, was intended to stimulate investment and cut the country's unemployment, approaching 10 per cent nationally and even higher in the textiles sector. Companies entering into a contract with the Government received assistance towards new investment and innovative processes provided they replaced workers over the age of 55 with younger men or women.

For the employee there was the attraction that any worker over 55 taking early retirement would receive 80 per cent of his pay until the age of 65 providing he took no other job.

Not surprisingly, the scheme was popular—and expensive. The first contract of solidarity was signed at Cholet at the end of April, a region where there

Imports are growing in importance

compared with around 5.5 per cent in Britain. Although this is less than the 8 per cent at the start of the 1970s it is still a lot more than on television, household items or cars.

France has one of the largest textile and garment industries in Europe. Like the other major—Britain, Germany and Italy—it has suffered catastrophically in consequence of the oil price rises of 1973 and 1978 which pushed up yarn prices. Its present employment level of 500,000 compares with over 1.3m after World War II. Rhône-Poulenc, the one major textile producer remaining in the country, has seen its workforce come down from more than 20,000 to 6,500 in this time and there are further cuts ahead.

The Mitterrand measures have, however, managed to stem the tide, if only temporarily. After a drop of 40,000 in 1981, it would appear that the rise in consumer spending led to a

were then 18,000 out of work in textiles, and another 2,000 have since been agreed around the country.

The second arm of the policy was the carrot for companies of having to meet lower social charges—national insurance, training levies and the like—for each employee. Cuts of up to 12 per cent were offered, though in many cases they were lower. This step was also welcomed by employers who have to bear a particularly heavy share of French taxation.

Textile associations in Paris estimate that social charges account for 41 per cent of all wages and salaries in France compared with 20 per cent in Belgium and the U.S., 18 per cent in Germany and Japan and 14 per cent in the UK. Cutting that level to around 30 per cent obviously assists cash flow, and

provides an incentive to invest.

The third major plank of the policy is the establishment of a trade promotion centre to stimulate exports and generally encourage new methods. The idea is not new. An organisation called SOPEXA already exists to promote the agricultural industry. But its scope is narrower than that proposed for textiles, which will be run by someone with top industrial experience and have a budget of about £7.5m a year.

The whole policy, in the words of a civil servant, is intended "to give companies a time to breathe. The textile industry has been through a very difficult time and it has now been given two years to counter the growing level of imports and automate for the future."

"The industry is very important in terms of numbers and the Government wants to see it prosperous and efficient."

However, M Dreyfus is no longer on hand to see through the policy and this is causing some concern. M Dreyfus, only 14 months in office, just enough to get the policy agreed. His successor, Jean-Pierre Chevènement, is thought to be much less committed to it, would almost certainly not have introduced it in the first place and might be quite happy to let it wither away after the two years have run their course in the spring of 1984.

A second worry concerns the cost of the support. It is high and has been criticised both inside France and outside, especially by West German members of the European Parliament. One conservative estimate puts it at around £200m over the two years, though M Chevènement has gone on the record as saying it might be between £275m and £300m. The amount, obviously, depends on the number of companies which sign contracts of solidarity and the numbers of men and women over 55 who are attracted into retirement.

Within France the attacks on the policy have come from those industries which have been excluded and from those which will have to meet the cost through their (probably higher) taxes. Outside, the policy has come under the close scrutiny of the European Commission following German MEPs' complaints that it will lead to a distortion of the European textile market.

Will it work? Within the textile industry there are differing opinions. Marcel Billon is head of Billon Freres, a \$1m a year turnover knitter in Villeurbanne, a suburb of Lyons, which employs some 300 people. "There are attractions in the system for me. It has always been very difficult to get rid of workers in France even for a company in difficulties and this has provided an excellent incentive for them to leave early."

"More important, though, is the removal of social charges. For every FF 10 I pay in wages I have to pay FF 7.10 in social and other charges—social security, holiday pay which has now gone up to five weeks, family allowances, training levies, transport charges and so on.

"Although the new govern-

ment policy is heavily in favour of the worker, it has made people realise that times are hard. They may have got a cut of an hour in the working week but they can see that money is short and are more willing to consider such things as shift working and weekend work."

Robert Porcher takes a different view. He is head of Porcher-Textiles, a large producer of industrial textiles such as conveyor belts, coated yarns and staple glass-fibred yarns, at Bourgoin-Jallieu, some 25 miles outside Lyons.

"Mitterrand has done a lot of silly things, probably because he lacked experience. These contracts of solidarity will throw an enormous burden onto the company. We may benefit in the short run, but someone will have to pay for the cost eventually."

"First of all the contract of solidarity envisaged people retiring with 80 per cent salary. Then it was mooted that the figure should be 55 per cent. People who were thinking of going suddenly had second thoughts and remained. All policy became clear."

"Frankly, we don't know where we stand at all. This. Under my contract of solidarity I had 74 workers eligible to take

We just got the policy through in time

early retirement and 75 wanted to go. But when I told them I said they would not get such good terms many of them had second thoughts."

"Then the shorter hours and longer holidays will have to be paid for by someone. And that can only be by taxation."

The big worry, though, is what will happen after the year period given for the contracts of solidarity expires. Will assistance be suddenly withdrawn?

With M Chevènement so seemingly apathetic about the policy which he advised the President to introduce at the moment of his election, according to M Thierry Noblet, chief economist to the made-fibre industry, "producers are all in a state of shock. All would have been lost. It was that close."

December, 1982

This announcement appears as a matter of record only.

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APPOINTMENTS

CBI London director

Mr Peter Waine has joined the COOPERATION OF BRITISH INDUSTRY as its London regional director. Mr Waine, who is 33, joins the CBI from Coopers and Lybrand where he was national personnel manager. He previously worked for Capel Industries and GEC. He is a council member of the British Institute of Management and chairman of its Parliamentary Liaison "Crossbencher" programme.

Mr John McMillan has been appointed managing director of INTERMED, Thomas Tilling's healthcare group. He joins the main board of Intermed and will be chairman of J. E. Dumas (Agency). In the sequence Mr J. W. Chambers will be joining Willis Faber (Underwriting Management) on May 1 as head of UK and foreign agents department.

Mr Alan Davis has been appointed head of BARCLAY'S BANK's group economics department at head office, London.

Mr Michael Good has become managing director of non-marine division of CLARKSON FUELS OVERSEAS in addition to his responsibilities as managing director of Clarkson Pockle Construction Insurance Brokers.

Mr Nils Taurer has been appointed a director of J. ROTHSCHILD AND CO.

BRYANT HOLDINGS has appointed three subsidiary board directors. They are Mr Paul Jillard, who becomes a director of Bryant Properties; Mr John Rusem, who joins the board of Bryant Homes; and Mr Peter Westhorpe, who becomes a director of Bryant Homes Southern.

LEE BEESLEY has restructured its northern activities into a separate division administered from Manchester by Mr George Glenner, managing director, supported by Mr Gordon Rimmer, divisional general manager. At Thomas Laurie Electrical, a Scottish subsidiary,

Mr Alex Gorman has been appointed executive chairman. He was previously with Balfour Kilpatrick as director for Scotland.

Mr R. W. Aitken has been appointed chairman of JENKS AND CATTEL following the resignation of Mr R. E. Jenks.

Mr Brian Huxley has been appointed director of marketing of KUBOTA TRACTORS (UK).

C. E. COATES AND CO. has appointed Mr David Varley as manager, trade finance division.

WIGHAM POLAND MARINE has made Mr David Openshaw a director.

A single UK construction division is being formed from the existing companies which include the civil engineering company Reed and Malik. Future work will generally be carried out as Rush and Tompkins. Divisional chairman for the North of England, and seconded to be Mr R. Nickalls who is appointed a director of RUSH AND TOMPKINS GROUP. Mr A. J. Skivington will remain general manager. Mr M. C. construction operations in the remainder of the UK. Mr A. Leyland is appointed a director of Rush and Tompkins Group with responsibility for property development and investment activities. Mr F. J. Trew will concentrate on property business overseas.

MORGAN GUARANTY has promoted to manager Mr David E. C. Brigstocke. Mr Michael J. Fleming, Mr Maria Jordan and Mr Benjamin C. Weston and to assistant manager Mr Brian R. Dearing and Mr James M. Grant.

ROYAL INSURANCE (UK) has appointed Mr M. E. Berry, Mr J. T. Coggan, Mr D. A. Davies and Mr J. S. Simpson as assistant general managers. Mr M. C. Eagle becomes assistant manager (special duties); and Mr R. S. Samt is appointed manager, London underwriting centre. From April 1 Mr J. C. Brown becomes technical services manager.

Mr John Miller has been appointed director of the INSTITUTE OF PERSONNEL MANAGEMENT. He will take up his appointment in March. He is currently the director-general of RAF personal services and head of the administrative branch of the RAF with the rank of Air Vice-Marshal.

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS (EDRS) IN YAMAICHI SECURITIES CO. LTD.

EDRS holders are informed that Yamaiichi Securities Co. Ltd. has paid a dividend to holders of EDRs for the year ended 31st March 1982. The dividend is payable in Japanese Yen (¥) and is subject to the provisions of the Japanese Companies Act, 1947, and the Japanese Exchange Control Act, 1949. The dividend is payable to holders of EDRs who have notified the company of their address for dividend payment.

Payment of the dividend with a 15% withholding tax is subject to receipt of the dividend by the holder of the EDR in a country which has a double tax treaty with Japan giving the benefit of the reduced rate of 10% on dividends paid to residents of that country. The dividend is payable to holders of EDRs who have notified the company of their address for dividend payment.

EDRS holders may now present Coupon No. 3 for payment to the underwritten agents.

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"Children Playing Dice" and "Immaculate Conception of the Escorial"

Restoring the reputation of Murillo

Murillo, last of the great Spanish painters, died in 1682. The exhibition of his work which opened in the Prado for the tercentenary last autumn is claimed to have been the first truly representative one-man show he has ever received. This may not cause undue astonishment now, as during this century his reputation has sunk, while that of Velázquez has commanded ever more devout attention, and El Greco's has soared from virtual obscurity to stardom. Zurbarán and now Ribera claim more earnest art-historical appreciation. Nevertheless, the Prado last autumn the murals are said to have come in record attendance (surpassing apparently the figures for the El Greco exhibition earlier in the year), and it is this display that is now translated to the great room of the Royal Academy (10-6, seven days a week, till 27 March), thanks to the generous sponsorship of B.A.T. Industries. It arrives all but complete, though there is one important omission from the London showing, the superb whole-length male portrait from the Duke of Alba's collection, that seems to have been withdrawn in displeasure at the Falklands dispute. That however is offset by the presence of the masterful self-portrait, which sadly the National Gallery felt unable for conservation reasons to let travel to Madrid.

Murillo's more recent reputation has been to some extent victim of his own popularity through the eighteenth and nineteenth centuries. Among hundreds of masterpieces shown at one of the first great comprehensive exhibitions of Art Treasures, at Manchester in 1857, Nathaniel Hawthorne was moved to single out Murillo's *The Good Shepherd* as "the loveliest picture that I ever saw". Support of substance for such exalted valuation had been provided by the Louvre five years earlier, when it paid more, in

solid gold frames, for a Murillo than any painting had ever fetched before. By 1941, the Louvre nevertheless had swapped that painting with the Prado, for a Velázquez. It is at the Academy, and is the best known example of one of Murillo's favorite themes—the Immaculate Conception—the young and beautiful Virgin borne up on the most fragile of sickle moons, in this case through a tumbling foam of healthy cherubs. The painting

many variations on the subject vary in quality, but the finest of them express truly a passion, a generous optimism and a warm humanity. At the Academy, they are represented at their best, and in front of them, memories of thousands of sweetened reproductions, photographs, pastiches, engravings, as one sees the originals clear.

Similarly, with another kind of subject, the famous studies of ragged victims. These are

in Gainsborough's case, especially Murillo's handling, in his mature work, of the shifting luminosities of broken colour.

Throughout the exhibition, the scale at which Murillo could work will be a revelation for most visitors. This is most marked in the Academy's great Room III. The way into this from Room II brings you up alongside the most colossal of the Immaculate Conceptions, so that you tend to see it from too close at hand. But if you back off to the far end of the room, the lift and surge of the great composition, the swirl of the Virgin's blue drapery up on some miraculous draft, might easily persuade you that peril of personal levitation may be imminent. And then, if you look around, there are the masterpieces that Murillo painted for Santa Maria la Blanca in Seville. The vast *Dream of the Patriarch*, a lunette canvas over five metres wide, is one of the most satisfactorily mysterious visions ever painted, a magical merging in light and shade of two different dimensions of reality, the physical presence of the man and wife, taken unawares by slumber in their living room, and the extraterrestrial emergence of the Madonna. The revelation of the divine in human terms, in domesticity even, is one of the great contributions that Murillo made.

Elsewhere, there are portraits—not perhaps (as indicated above) quite as fully represented as they might be, though the delightful Don Antonio Hurtado de Sadeo as a hunter must not be missed: almost like a trial run for Courbet's *Bonjour Monsieur Courbet*. Everywhere passages of most exact mundane observation are visible—still-life, animals, conjoined in the most delicately resolved composition. A small but representative selection of drawings shows the range of his draftsmanship. The full, and very fully illustrated and introduced, catalogue is well up to standard.

David Piper helps to return Murillo to his earlier status as one of the world's great artists

Hawthorne so admired is not included, perhaps mercifully: it showed the Christ Child as shepherd amongst lambs, with a yearning, pietistic expression that might well sicken the heart of any toughened practising parent of the 1980s.

That raises the difficult problem of defining the point at which the representation of sentiment slides into sentimentality. This point can be demonstrable of course—most easily when the "first" has gone baby, but this is not always so and it is of course perfectly possible for a great artist to depict a situation, a subject, that might be held to be sentimental in itself, in an unselfish, unselfish manner, and such confusions resulted, to take one example, in the wholesale condemnation of whole areas of Victorian painting earlier this century.

Murillo was a devout Catholic, and a sincere champion of the Counter-Reformation and of some of the issues of dogma that obsessed the movement in Spain. The theme of the Immaculate Conception was one such. Inevitably, Murillo's

often condemned as sentimental, but while certainly they reflect the acceptable face of poverty, its "picturesque", and the children are content, often even merry and certainly never starving in their ragged, they are observed and recorded in this mood without sentimentality, in the most complex and subtly modulated compositions, in which Murillo's mastery of modelling with red and light and muted yet glowing colour is given full play. Murillo's domestic affairs were beset with tragedy—a widower for his last 20 years, most of his nine children dead—yet he is in his art radiantly optimistic. The contrast in mood of this exhibition with the no less magisterially expressed explosion of violence, bloody martyrdom, and death in the preceding exhibition in the same rooms of Neapolitan painting of the same period, is positive, startling, and happy. And it is, of course, not only the subject, so precociously anticipating late eighteenth-century sensibilities, of the beggar-boy pictures that so attracted painters like Gainsborough and Reynolds, but the technique and

Seven new productions from ENO

The English National Opera is planning seven new productions in its 1983-84 season, three by Wagner, the centenary of whose death falls in 1983.

A new Ring Cycle starts in October with a production of *The Valkyrie* and there are also productions of *The Master*

singers of *Nürnberg* and the rarely performed *Rienzi*.

Other fresh works for the repertoire include *Ariadne auf Naxos*, Britten's *The Rape of Lucretia*, and two joint productions, *Don Giovanni* and *La Bohème*, which comes from Geneva Opera, and Verdi's *The Stabat Mater*, and

co-produced with the Paris Opera, and marking John Dexter's first production at the ENO since 1973.

Among the fifteen revivals are David Blake's *Troiscent*, in a short and varied, and more performances of the Jonathan Miller production of *Rigoletto*, which has already been seen 20 times in four months. Rigoletto has achieved 100 per cent capacity, and brought in £500,000 at the ENO box office. Audiences in 1982-83 have exceeded 80 per cent capacity every week bar one.

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Arts Guide

Opera and Ballet

ITALY

Rome, Opera House (40044): Sleeping Beauty choreographed by Fedor Lopukhov, with costumes by Beni Montresor.

Milan, La Scala (809128): Giordano's *Andrea Chénier*.

Firenze, Teatro Comunale (262241): Falstaff in a co-production with the Los Angeles Philharmonic Association and the Royal Opera, Covent Garden.

LONDON

Royal Opera House, Covent Garden: *Cinderella* (no matinee).

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WEST GERMANY

Berlin, Opera, Deutsche Oper: The week starts with Boris Blacher's rarely-played *Freischütz*.

Munich, Opera: Die Verkaupte Braut is a well done repertoire performance.

Frankfurt, Opera: Volmar Olbrich is making his debut as conductor of the Wagner year celebration.

Stuttgart, Opera: Die Verkaupte Braut is a well done repertoire performance.

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Book Review/William Chappell

Dreams and facts

Angus McBean

Text by Adrian Woodhouse. Quater Books £20.00, 115 plates. Theatre Year: A Selection of Photographs by Donald Cooper of productions in London and Stratford October 1981 to October 1982. Introduction by Michael Coveney. In (Paraphrase), 21 Wellington Street, London WC2, £5.95, 126 plates (paperback).

Does the camera lie? One of these books says Yes! The other replies No! Both have to be taken seriously: for today (we are told) photography is an ART. The camera is, of course, the greatest of all liars in the world of image-makers: and an unusually fantastic image-maker himself. Angus McBean appears set in his book of theatrical portraits on demonstrating the outrageous mendacity of the camera. Mr McBean was one of the great necromancers of theatrical photography from the start of the 1920s, and into the 1960s. He came to his attention as a group of celestial beings of so outstanding a style, such

ability and beauty, they were known as "stars". This godlike race is now almost extinct. Today we have in their place a host of marvellously professional performers; each one able to replace another; and who would know the difference? The "stars" were, in cold fact, irreplaceable. Mr McBean's book is mostly a record of his talents in restructuring the persons of those celestial bodies. Plying a magical art known only to himself, he was destructive to be constructive; adept at ruthlessly removing hands, arms, legs, torsos—even entire bodies—leaving a faintly smiling head, abandoned (but content) beneath a chair. He reassembled each famous theatrical beauty into one of his own artefacts. Armless marble busts; classic torsos; or elemental creatures growing from the sand. These charming inventions, and the equally mythical self-images of personal Christmas cards, dominate the book. They are backed up by—and how good these are—a few straight portrait heads.

A sale to Harvard University during the 1970s, of four and a-half tons of his glass negatives comprising over 700 productions, has to be the reason we are allowed only a niggardly half-dozen of his theatre pictures. This is regrettable indeed. Angus McBean always personally grouped and lit his actors (and the work of the designers) with love and care in a way most particularly his own. Photographing hundreds of productions, he gave us a definitive and most comprehensive view of the British theatre between 1920 and the late 1960s. A theatre of (if we dare to use such appellations) well-bred and stylised realism, peopled by beautiful and brilliant performers. I wish I were a young man. I would pay a visit to Harvard University to give myself the pleasure of examining those glowing memorials of time remembered.

Donald Cooper's *Theatre Year* (October 1981 to October 1982) brings us down to earth with a crash, rather than a mere bump. I have always much admired Mr Cooper's theatrical pictures. His book with an introduction by Michael Coveney covers 200 productions, and he perfectly catches and clarifies the look and the feel of today's theatre. He also reminds us how de rigueur (and how distracting) it is to see the sources

of theatrical lighting; and how essential (and how depressing) is an indiscriminate use of darkness as a background. These comparatively useless production tricks were, of course, much in vogue in the Expressionist and avant garde theatres of Berlin and Paris before, and soon after, World War I. This collection of Mr Cooper's work is extremely good value. His pictures are never boring. Whether he be a real craftsman I do not know. Perhaps he uses a technique I have seen rather too often, click click clicking his way through the long dreary hours of a dress rehearsal, and finding, as fruit of his labour, one or two marvellous singles out of a hundred duds. Yet, I seem to see a real, alert and thoughtful eye behind Mr Cooper's camera. The pictures are beautifully composed or skillfully trimmed? The photography is harsh, definite and strong toned. No, you might say, looks their best. Luce is indeed harsh, though not completely definite, and many people today do not seem to wish to look their best. So they cannot complain at Mr Cooper's clear-eyed view, and they should all buy his admirable book.

Dorothy Donegan/Pizza on the Park

Kevin Henriques

Though relatively unknown in Britain, American pianist Dorothy Donegan has achieved over many years a wide reputation in her own country and in Europe not only as a player per excellence but as an unimpaired entertainer. It is even suggested that her on-stage antics, which include much grimacing, shaking of her legs and ample hips, detract from her imposing pianistic talent.

Hip Londoners have until January 29 to hear, see and feel for themselves as the larger-than-life Miss Donegan helps celebrate the Pizza on the Park's reprieve from instant demolition with two joyful sets every evening (except Sundays)

of concentrated, swinging and totally involved keyboard fireworks. A ferocious, two-handed player, Dorothy Donegan willingly admits her biggest influence is Art Tatum—felicitously, his influence, along with Earl Hines (fantastic) and Jay McShann's hangs on the bandstand behind her. To underline this on Friday she delivered a scorching version of Jerome Kern's "Yesterdays" which instantly evoked Tatum's, so replete was it with dazzling runs, arpeggios and sheer exhilaration. There was another hair-raising excursion on "It's all right with me" from which she somehow slipped effortlessly

and naturally into the comforting "The way we were" by Billy Joel. Like Tatum, Dorothy Donegan has a formidable technique which enables her to cover a wide spectrum of styles which on Friday ranged from boogie woogie onwards and which often includes classical composers as well. With such virtuosic resources at her disposal, Miss Donegan garners attention with ease. As an extra she throws in vocal programmes—Della Reese and Pearl Bailey being notably good, Billie Holiday less so. Her sets are presented almost without pause for breath but are never overwhelming. Need-

less to say she is not in dire need of accompaniment but for this engagement she has British bassist Len Skeat who is, without reservation, superb. British pianists are also featured until January 29, with Fred Hunt, Eddie Thompson and Brian Dee among those to come. Last Friday it was the Pats Waller-inspired Neville Dickie who was deservedly brought on by the headline attraction to duet on "Lady Be Good." Additionally, customers had the unexpected bonus of contributions from Dominic and Dylan, a young guitar duo whose interplay is fleet yet uncontrived and who will assuredly become in demand country-wide.

Guarneri Quartet/Elizabeth Hall

Max Loppert

The leading North American string quartet, paying London one of its rare visits to provide Sunday's instalment of the current Brahms chamber music series, always provokes high expectations. On this occasion, said to say, they were substantially disappointed: in the first half the "superb command of dynamics, immaculate balance and tonal sweetness" for which the New Grove Dictionary of Music is praised was a description contradicted in each article by much of the playing.

The recital began with the glorious G major String Quartet Op 111, the German violinist Hatto Beyerle supplying its fifth part. This is a Brahms work which, in the warmhearted flood of its melody and the Mendelssohnian richness and iridescence of its textures, is one to bring into discussion whenever the balance of past and present music is being weighed. But the Guarneri performance seemed entirely out of sympathy with its special qualities. The balance of past and present music is being weighed. But the Guarneri performance seemed entirely out of sympathy with its special qualities. The balance of past and present music is being weighed. But the Guarneri performance seemed entirely out of sympathy with its special qualities.

quartet, Op 51 No 2, the Guarneri might in current form have been thought better suited. It was, but only in and to part of the music: Brahms's carefully placed relaxations of tension (such as in the second group of the opening movement, *sempre mezza voce, grazioso ed animato*) were each time hustled aside, and the glassy tone of the leader, Arnold Steinbock, let an edgy aspect to even the quietest meditations of the slow movement. This was here-to-fore-gone-tomorrow Brahms, efficient, impersonal, and rather dispiriting.

But relief was at hand after the interval; for Peter Serkin had been invited to take part in the G minor Piano Quartet, Op 25, and his participation helped to snap the stays of the wholehearted corset into which Brahms was earlier being forced. Mr Serkin is a chamber music pianist of wonderfully wide sympathies; he brought a quality of graphic but never extravagantly discovered imagination to every bar—authentic Brahms vigour at the close of the first movement, a teasing elfin wit to the Intermezzo, an unflinching gift for drawing the finale to its highest excitement. If one credits the pianist with the success of the performance, the difference between the moods of the concert's first and second halves is surely justification enough.

Music Projects/Riverside Studios

Andrew Clements

Music Projects/London and their conductor Richard Berris gave only a handful of concerts each year. Would that, rather than the ubiquity of some contemporary music groups, if their programmes were consequently more thoughtful and better prepared. Sunday's offering at Riverside Studios was concise and, on paper at least, nicely balanced. The burden was carried by two works for brass ensemble, Vinko Globokar's *Fluide* and Chris Dench's *Parasols*. They were separated by Feldman's *The King of Denmark* for solo percussionist (Nigel Shipway in this performance), a gentle study in pattern and colouring which falls easily on the ear and falls with equal ease straight out of the memory afterwards.

Parasols was commissioned by Music Projects; this was its first performance. Dench was asked for a companion piece to *Fluide*, and he uses the same nine brass, with two percussionists. It's more shapely than much of the composer's earlier music; the extravagance that was both the excitement and the downfall of some of his work is here noticeably tempered. The structure moves impressively from an aggressive opening—Dench's note talks of "lovesong, dirge and warchant"—with whooping horn calls, to a thinner texture in which a series of decorated solos define themselves. There is a brief, savage climax and a long, unwinding

dirge over an incessant bass drum pedal, with a flugelhorn solo as its main point of interest; the coda is short and "thick" textured again. The shape is clear cut and readily perceivable. Many of the ideas are striking in themselves, the solos especially. But the almost self-conscious thinness of some of the writing seems to leave some pages lacking in emotional poignance, as if Dench has been concerned deliberately to withhold some of his punches. Against Globokar's work, for all its thinness of sheer musical content, Dench's *Fluide* seemed consistently under-sized, though such a study in understatement might be precisely what he needs at this stage in his career.

Increase in attendances at

V & A museums

Attendances at the Victoria and Albert Museum and its branches increased in 1982 by 20 per cent over the previous year. A total of 2,058,480 visited the V & A, Aspley House (the Wellington Museum), the Bethnal Green Museum of Childhood, the Horns and Osterley Park House last year, compared with 1,710,792 in 1981. The V & A itself had its most successful year since the tourist boom year of 1977. The museum in South Kensington was visited by 1,667,071 people in 1982.

F.T. CROSSWORD

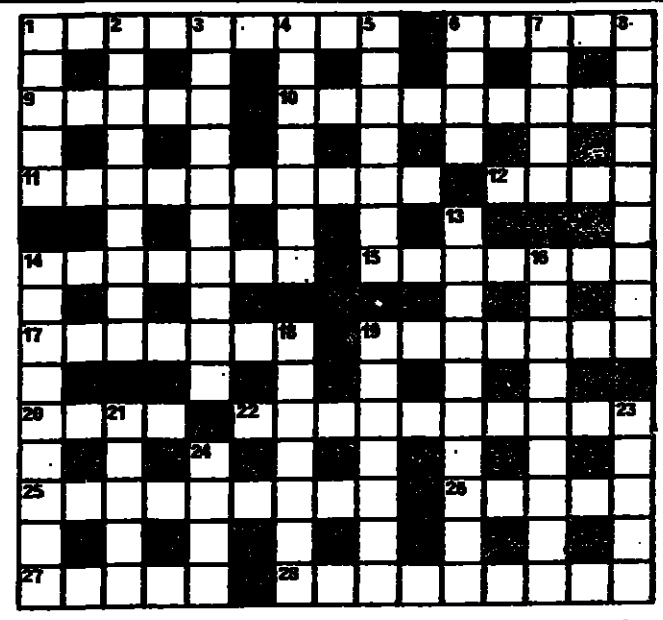
PUZZLE No. 5,074

ACROSS

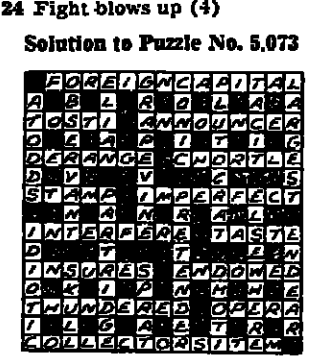
- 1 A warship from the reserve fleet (9)
- 2 Old romancer adopts a pose that's different (5)
- 3 In the dark until re-organised (5)
- 4 Gloomy-looking planet in the east (9)
- 5 Peril gives advantages to be derived therefrom (10)
- 6 Fruit is a good thing (4)
- 7 Out of bed, drunk and in a nervous state (7)
- 8 Spinners are poorly fitted to take advantage of breeze (7)
- 9 Emphasises regional speech variations (7)
- 10 Historian understood by you and me? (7)
- 11 A procedure to adopt when not at home (4)
- 12 Liberated model unfashions quite enough! (4, 6)
- 13 The strident tone of bad salesmanship? (4, 5)
- 14 Labour gives up attempt to create Eastern waterway (5)
- 15 Benefactor has to assume services (5)
- 16 She tosses cocktail for the publicans' wives (9)

DOWN

- 1 Growth follows southern recession (5)
- 2 Is nervous reaction after the dance connected with misadventures? (9)
- 3 As austere as tent surrounding circus arena (10)
- 4 Look closely at the creature going round the car park (7)
- 5 Make an appeal with two points to negotiate (7)
- 6 Light railway is below first-class rating (4)



Solution to Puzzle No. 5,073



FINANCIAL TIMES

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Tuesday January 18 1983

Belize still needs aid

THE FOREIGN and Commonwealth Office is being justifiably cautious about the remarks attributed last week to the military ruler of Guatemala to the effect that his country had scaled down its territorial demands on neighbouring Belize. General Efraín Ríos Montt says Guatemala wants only a fifth of Belize's land area rather than the whole of it.

Such a statement might seem to mark an advance. In reality it is hardly any advance. General Ríos Montt gave the impression that he was talking impulsively and the general, who seized power in a coup last March, may not stay at the top of the greasy pole of Guatemalan politics for much longer. In any case Guatemala has no serious grounds to claim an inch of Belize's territory.

The position of Belize is an unenviable one. After several centuries as Britain's colony in Central America, the small, poor and lightly populated territory became an independent country in September 1981. It was recognised by all its neighbours except Guatemala and quickly accepted membership of the United Nations. With a population of 150,000 and pitifully few resources it was not able to mount the defence capability sufficient to deter the heavily armed Guatemala whose population was 50 times as large as its own. As a consequence Britain undertook to maintain a garrison of British troops in Belize for an unspecified period while a final accommodation was sought with its reluctant neighbour.

Frontiers

Despite a succession of talks involving Guatemalan, Belizean and British officials no formula has been found which would bring Guatemala to recognise Belize and its present frontiers and allow Britain to relinquish the task of defending Belizean territorial integrity.

A new round of talks is to take place later this month at which the British and Belizeans must try and convince the Guatemalan representatives that their country's claims will not prosper and remind them that they stand alone in seeking to annex part of Belize's territory. The Guatemalans have seen themselves isolated at the UN when they pressed their claim last time. They must be told frankly that they must be prepared to be isolated if they insist on pressing it.

While patient work continues on the diplomatic front the

practicalities of assuring the defence of Belize must be tackled. In this matter the U.S. occupies a key position. Earlier this month the Reagan Administration decided to resume shipments of weapons to the government in Guatemala City. The wisdom of Washington rearming a regime which has as bad a political record as that of General Ríos Montt has already been closely questioned by U.S. legislators. The danger U.S. policy represents for Belize, a small but important oasis of democracy and constitutional government in a turbulent Central America, must be brought home more forcefully to Mr Reagan.

Guarantee

In London the open-ended nature of the British defence guarantee to Belize has given rise to some misgiving in the House of Commons select committee on foreign affairs. The fact that the Foreign and Commonwealth Office has not given Parliament the details of the Anglo-Belizean defence agreement has exacerbated that misgiving.

The unease at Westminster cannot be passed over. The response to it should consist in a new effort by Britain and other countries friendly to the newly independent Central American country to recruit more countries to the force defending Belize's frontiers. Such a force was nearly established while a final accommodation was sought with its reluctant neighbour.

Fighting

As the tide of fighting rises in Central America — and nowhere in the region more dangerously than in Guatemala — the value of Belize as a haven of stability is increasingly clear. Belize's friends must be prepared to go to its assistance if it is threatened with attack by its stronger neighbour. It cannot be in the interests of the U.S., the strongest power in the region, to see the tension between Guatemala and Belize continue. The defence of Belize's borders must be a demonstration that a country's boundaries cannot be changed except through the process of peaceful negotiation.

Managing the police

BRITISH PEOPLE have been rightly shocked by the circumstances in which London policemen shot and critically injured a man in Kensington last week. The event provokes the fear that Britain has taken an unwelcome step towards the gun-toting law and order methods which are associated with steadily worsening violent crime in many American cities. The main immediate public issue is not how the victim was incorrectly identified, in spite of sophisticated use of fire arms, but why even if he had been the man in question officers involved failed to follow the force's perfectly adequate guidelines on the use of firearms. These state that shots should only be fired either in self-defence or to defend members of the public.

The answer to this question is presumably in the report which will be delivered today to the Director of Public Prosecutions. Sir William Whitely, the Home Secretary, was right to insist yesterday that until the DPP decides whether to engage in a criminal prosecution, further details cannot be made public in the interests of allowing the policemen a fair trial.

Unwelcome

If there is no prosecution, Mr Whitely has promised a full report. It may be appropriate at that point to decide whether, as the Opposition demanded prematurely yesterday, an independent figure should be involved in conducting the inquiry. Regrettably the new rules to provide an independent element in the police complaints procedures have not yet completed their passage through parliament.

For Sir Kenneth Newman, who is now in his fourth month as Commissioner of the Metropolitan Police, the incident is an unwelcome addition to the tally of errors or worse which have aroused public concern in the last year. Less sensational than the Buckingham Palace break-in and less complex than the corruption saga of Operation Countryman or the problems of policing the inner city, the

Kensington affair adds to the pressure for change.

As a newcomer, Sir Kenneth is in a position to make use of the public concern about these matters to lend weight to his arguments for re-organisation, which have recently been presented to Mr Whitely in a so far unpublished strategy document.

The common threads in all these matters are those of management and accountability. It is to be hoped that Sir Kenneth's report will avoid making the promise of improvement on either of these topics contingent upon a larger force. The Met is closer to establishment than for many years, and now needs to deliver something in return, whether it be an improvement in its extremely poor record in solving crime or the more intangible re-establishment of a high level of public confidence.

Principle

The right principle here is that London, or its constituent boroughs, should like other parts of the country have police authorities which contain at least an element of local representation, rather than lying wholly within the preserve of the Home Office.

Sir Kenneth, who appears to accept implicitly the case for police decentralisation, is entitled to object that such a course is difficult when the Government is toying with the idea of scrapping the Greater London Council and when that council is increasingly given on police matters to rather extreme statements, caused in part by its frustration at being excluded from real influence.

Debated

The time has seldom been riper for these and other issues to be openly debated by Sir Kenneth and by the Home Office. Changes in the way the Met is run will not necessarily prevent shocking mistakes like the Kensington shooting, but they are capable of ridding the force of the sense of malaise which has surfaced too often in recent months.

THE ONSET of what promises to be the biggest trial of strength ever staged on the world's information processing market is prophetically symbolised by two new skyscrapers, soaring from adjacent blocks on Madison Avenue in mid-town Manhattan.

On one corner stands the International Business Machines building, a glass-walled structure trimmed in bottle green. On the other, American Telephone and Telegraph's future headquarters, a stately pink granite pile topped off with a Chippendale pediment.

Significantly, perhaps, AT&T's offices are still under construction. But they already reach several feet higher than their next-door neighbour.

For the first time AT&T and IBM, the undisputed champions in their respective classes, are set to compete in the same league. The previously rigid barriers between the telecommunications and computer businesses have been erased by technology and by major changes in U.S. policy, leaving the two giants staring eyeball to eyeball.

Neither need feel constrained to pull its punches. The Justice Department dropped its long-standing anti-trust charges against IBM a year ago, when it also settled its case against AT&T. The settlement removed restrictions which had previously stopped AT&T from venturing outside the regulated telephone business.

Both companies insist that they are not gunning for a showdown. "A confrontation with IBM won't happen," says Mr Archie McGill, vice president of business marketing at American Bell, the subsidiary which will spearhead AT&T's thrust into unregulated markets. "IBM, meanwhile, is broadening its span of telecommunications products. It is developing new private branch exchanges (PBXs) both on its own and in collaboration with Mitel, a fast-growing Canadian equipment manufacturer. It also owns a third of Satellite Business Systems, which operates an advanced satellite

communications network. After AT&T sheds its local operating companies early next year, it will be close to IBM in size. Each company is likely to have assets and annual turnover of more than \$500m. But their outlook on the world and their relative strengths and weaknesses will be very different.

IBM, which today launches its personal computer in Europe, is

Symbol of a trial of strength to come? The new headquarters of AT & T (left) are just across the street from IBM in New York

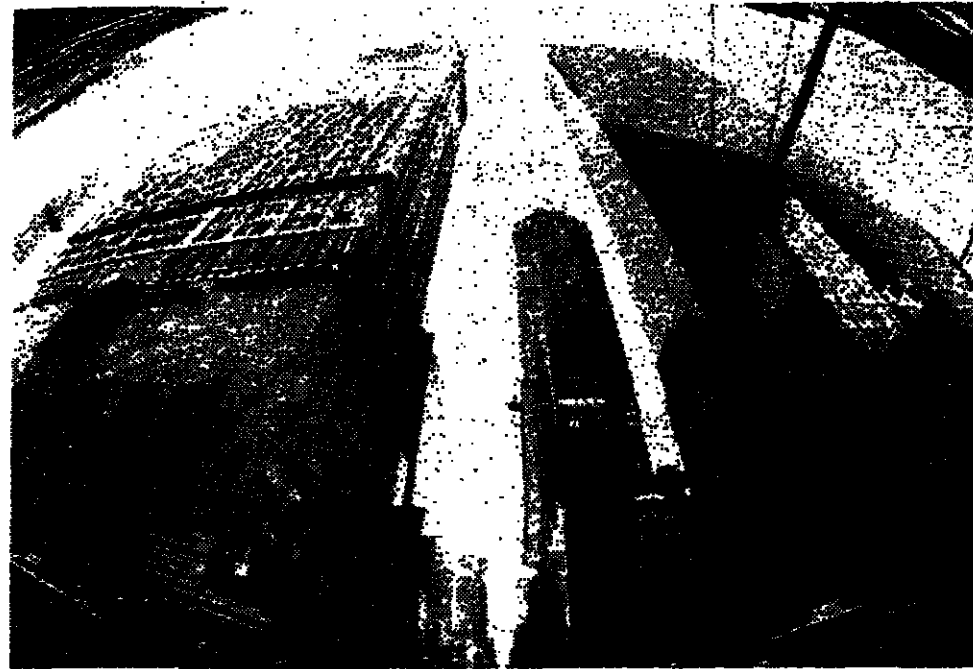


can handle both data and voice communications. IBM, meanwhile, is broadening its span of telecommunications products. It is developing new private branch exchanges (PBXs) both on its own and in collaboration with Mitel, a fast-growing Canadian equipment manufacturer. It also owns a third of Satellite Business Systems, which operates an advanced satellite

America's Communications Revolution: Part 5

IBM and AT&T: now it's eyeball to eyeball

By Guy de Jonquieres



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IBM, which today launches its personal computer in Europe, is

a tightly integrated multinational which does almost half its business overseas. Its development and production facilities—which it has spent a staggering \$12bn to re-equip during the past five years—are spread across 16 countries. It has increasingly identified Japan's electronic industry as its chief adversary on world markets.

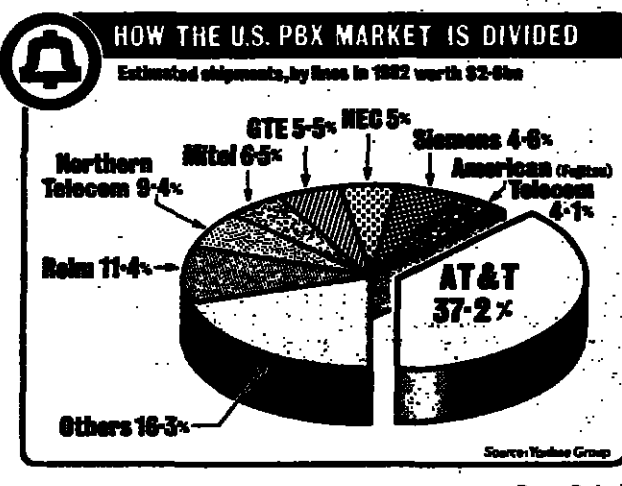
AT&T, by contrast, has dedi-

cated itself most of this century to operating its U.S. telecommunications system, which provides most of its revenues. It now recognises that the worldwide nature of the information processing business makes an international profile imperative. It is seeking to expand abroad through link-ups with foreign partners, notably the Dutch Philips group.

Starting from scratch, AT&T is also free to experiment with unorthodox strategies which IBM cannot take without straining the loyalty of its customers.

It is too early yet to say which of the two contenders packs the heavier punches, or precisely where they will land. Many observers believe that they cannot long avoid tangling with each other. But another intriguing possibility also exists: that in the easier anti-trust climate now prevailing in the U.S., they may seek mutual accommodation in some fields.

Competitors are jostling for a share of the market



It is quite possible, for example, that American Bell and Western Electric may compete to sell similar products through the same distributor. That distributor may also be selling equipment made by independent manufacturers which are also supplying American Bell.

No sector of the subscriber equipment market is more

fiercely contested than sales of PBXs, worth more than \$3bn last year. Once dominated by AT&T, it has increasingly been taken over by a horde of other companies including Rolm and GTE of the U.S., Mitel and Northern Telecom, Japan's Fujitsu, Nippon Electric and Hitachi, West Germany's Siemens and L. M. Ericsson of Sweden.

Last year, AT&T is estimated to have supplied less than 40 per cent of new PBX lines installed in the U.S. It now accounts for less than 70 per cent of the total number of lines in use, compared with about 90 per cent in the early 1970s.

The slippage is largely due to lack of competitiveness. AT&T offers PBXs based on traditional analogue technology, which are less advanced than the newer digital systems supplied by many competitors. Moreover, it has only leased equipment in the past, and the sales prices charged by its rivals have fallen to as little as three-and-a-half times AT&T's annual rental.

AT&T's competitors have benefited, too, from the backwash of recent sharp increases in its rentals for older switchboards. AT&T may also have deliberately allowed its market share to slip, both to appease anti-trust enforcers and to bolster its demands for freedom to compete on equal terms.

With the Government anti-trust case out of the way, it will be able to fight back more aggressively and is expected to launch a digital PBX earlier this year.

The Yankee Group, a Boston market research firm, believes that the U.S. PBX market will remain strong, growing to \$6bn a year by 1985.

The need to span the board range of skills and technologies needed for office automation is increasingly pushing companies into tactical alliances. Mitel plans to launch a network with American Satellite, itself a joint venture between Continental Telephone and Fairchild Industries.

In another part of the forest, Digital Equipment is collaborating with Xerox, the copier giant and Intel, the semiconductor manufacturer partly owned by IBM, to promote a joint standard for an office communications network known as Ethernet. Whether the market will be big enough to accommodate all these competing approaches remains to be seen.

Previous articles in this series appeared on January 10 and 17 on this page and on January 14 and 17 on the management page, where the next article will be published tomorrow.

Men & Matters

Paris prospect

Having been denied the top spot as the Bank of England, deputy governor Christopher "Kit" McMahon may be beckoned to a job in Paris that would provide rich consolation.

Deputy governors at the Bank traditionally are content to stay out of the limelight and have little aspiration to high rank. Leslie O'Brien, who took over the chair in 1986 after working his way up through the ranks to deputy governor, was the exception.

But McMahon is clearly a high flier—and, according to insiders at the Organisation for Economic Co-operation and Development, may be just the man to replace Emile van Lennep, the long-time secretary-general when he retires, probably next year.

McMahon has already built up considerable influence through his work on the foreign side at the Bank and his chairmanship of the OECD's working party there, the economic group which deliberates on balance of payments problems.

His blend of joviality and sharpness makes him a favourite among Europeans. And, most importantly, he would probably have the support of the Americans.

For McMahon's finest hour was in January 1981 when, with the Bank's chief cashier David Somerset, he flew to Algiers to help arrange the complex financial deal to free the U.S. hostages in Tehran.

Palliser's news has little to do with the battlefields, however. He is taking the John Not route to City stadium. Today he starts work as a member of the board of Samuel Montagu.

Palliser, whose career included a stint as Ambassador to the EEC, joined the Foreign Office in 1947 after serving in the Coldstream Guards.

In his retirement he has made a bedtime for business, joining the boards of United Biscuits,

Eagle Star Holdings and BAT Industries

Samuel Montagu's chairman Staffan Gadd says Palliser will spend about two days each week with the merchant bank, that is quite an impressive work schedule for a non-executive director.

But his task will be an absorbing one. He is to help Montagu with its country advisory service for such clients as Zambia, Jamaica and the Dominican Republic.

Given the dimensions of national debts these days a diplomat at a merchant bank should have his hands full.

The Royal Academy has, for the first time, copied the example of the Met in New York and the Prado in Madrid by promoting its Murillo exhibition with a huge, eye-catching hoarding at the entrance.

A light-hearted pastiche of the 17th-century Spanish artist's celebrated work "The Good Shepherd," the 24 ft by 20 ft canvas was painted in a week by Royal Academician Frederick Gore with the help of two students.

If anyone has a wall big enough to hang it, I am told the Academy will be open to offers after the exhibition closes on March 27. It needs to raise £150,000 to pay for the show and sponsor BAT is only prepared to pick up £77,000 of any loss.

Some 60 hungry businessmen turned up at the Little Venice studios expecting to partake of a hearty British breakfast while being entertained with a sneak preview.

Jay had, of course, intended them to view at the privacy of their own breakfast tables. The station canteen was equal to the occasion, however. The unexpected visitors were treated to a full breakfast, champagne, and a chat from Jay.

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Art work

The Royal Academy has, for the first time, copied the example of the Met in New York and the Prado in Madrid by promoting its Murillo exhibition with a huge, eye-catching hoarding at the entrance.

A light-hearted pastiche of the 17th-century Spanish artist's celebrated work "The Good Shepherd," the 24 ft by 20 ft canvas was painted in a week by Royal Academician Frederick Gore with the help of two students.

If anyone has a wall big enough to hang it, I am told the Academy will be open to offers after the exhibition closes on March 27. It needs to raise £150,000 to pay for the show and sponsor BAT is only prepared to pick up £77,000 of any loss.

Some 60 hungry businessmen turned up at the Little Venice studios expecting to partake of a hearty British breakfast while being entertained with a sneak preview.

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Observer

Letters to the Editor

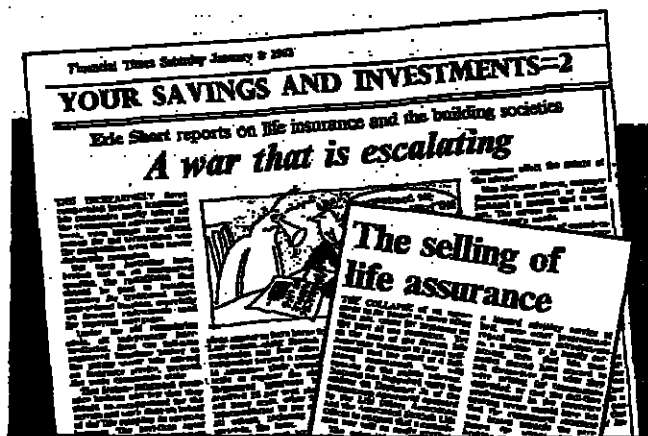
The heart of the problem in the assurance commissions war

From the Chairman, Wider Share Ownership Council
Sir,—Both your editorial of January 11 and the mounting volume of correspondence on the subject (not confined to the Financial Times) testify to the seriousness of the mess into which the life assurance industry has got itself.

Most of the critics, however, do not seem to be able to see the wood for the trees. They are concentrating on typical incidents, whereas the heart of the problem is that the whole system of payment to "intermediaries" was misconceived from the start; the house is built on sand. The insurance broker or other agent is rightly regarded as—and indeed claims to be—the agent of the policyholder, but instead of being paid directly and openly by the policyholder, as he should be, he is remunerated by a commission the existence and extent of which is concealed in the premium. The flexibility of payments to which this inevitably gives rise cannot but distort the impartiality of the advice and service which the customer is entitled to receive.

The whole nonsense is nowhere better exemplified than in the contention that a new or growing company should be permitted to offer higher commissions (ie bribes) to those who are supposed to be the agents of the insuring public. Insurance brokers should not be exposed to temptations which they can only resist at the cost of restricting revenue. But they themselves by restricting disclosure have contributed to the regrettable outcome.

The problem has, of course, been highlighted by the gradual realisation that, ever since the development of the endowment policy after World War 1, a growing proportion of life assurance contracts are essentially investments. This has sharpened the contrast with the securities industry, where the practice has been very



different. As every shareholder knows, he pays his stockbroker a commission which is not merely standardised but fully disclosed. The Stock Exchange is a shining example of how these things should be ordered. The Life Offices' Associations, unable to enforce disclosure, strove manfully for years to enforce standardisation. Sadly but inevitably—and undermined by some of their own members—they have failed.

Edgar Palamoutian, Wider Share Ownership Council, Jackson House, 94 St Paul's Churchyard EC4A

From Mr B. Lancaster

Sir,—Further to the article by Eric Shore and the subsequent letter from Mr D. E. Pope (January 6), I would like to ask the life assurance industry, both companies and registered insurance brokers, some pertinent questions.

"Why should anyone other than a full time professionally qualified insurance intermediary receive commission?" If both the insurance companies and the registered brokers wish to improve the image of their industry to the consumer surely this should be a first step. My feeling is that the answer from the insurance com-

panies will be volume of business rather than quality or profitability. "Why should life commissions be front-loaded?" Surely it is time that the consumer was protected against the massive deduction from his investment should he, due to no fault of his own, have to realise that investment within the early years of effecting a policy. By paying life commissions on a level annual basis it would overcome that inequity and would attract people into the industry who are not only concerned with a quick return. All would see the value of continuing to provide a service for existing policyholders.

If we have to accept the existence of unqualified intermediaries and a differential commission scale, why should this differential not be used to improve the terms of the policy purchased from a fully qualified professional registered insurance broker? It would appear from recent Press comments that the members of British Insurance Brokers Association are not so concerned with increased commission as with differential remuneration. The life offices appear to accept the fact that there is a difference between a

broker who obtains business on their behalf, thereby saving costs, and those brokers and other intermediaries who expect insurance company payments to do the selling for them.

Surely then, if the fully professional registered broker was able to offer his clients independent professional advice at no cost and a better policy than can be purchased elsewhere, the public would be foolish in the extreme to buy their insurance anywhere else.

Bryan J. Lancaster, 15, St Helen's Place, EC3, London, E.C.3.

From the Chairman, Insurance Brokers Registration Council

Sir,—I have been following with interest the comment appearing in your columns in the matter of commission payable to intermediaries in connection with life assurance contracts. I would like to correct the impression which has been given with regard to disclosure of commission.

In using the services of an insurance broker (or assurance broker) "an individual who is, or is contemplating becoming, the holder of a United Kingdom policy" has a statutory right to ask and be told the amount of commission payable by the insurance company "under any relevant policy of insurance." This facility is by reason of the statutory code of conduct drawn up under the Insurance Brokers (Registration) Act 1977.

I would add that all insurance brokers, including Lloyd's insurance brokers, are bound by the statutory code and are also answerable by way of the disciplinary proceedings laid down under the Act. Francis Perkins, Insurance Brokers Registration Council, 15, St Helen's Place, EC3.

Setting targets and pay for top people in the public sector

From the Chairman, Spencer Stuart and Associates

Sir,—It is most encouraging to learn that a working party has put forward a plan for the salaries of chairmen and members of nationalised industries to be brought into line with those of the private sector. The plan also advocates performance-related bonuses, but the proposals it makes in this field do not go far enough. Several elements form the pre-conditions for achieving successful results through perform-

ance-related bonuses for top management.

There must be genuine belief in the value of, and commitment to, such incentives from the top (in this case, the Government).

The rules, and also the objectives and the time frame for their achievement, must be clearly understood. There must be no question of changing the targets or paying bonuses which are not justified under the rules. Boldness in implementation, with potential bonuses well

above 20 per cent (and frequently around 50 per cent) of base salary, is essential.

Unfortunately, the timid 10 to 15 per cent now being discussed is unlikely to have much effect and is itself perhaps an indication of official scepticism. This is a field in which half-or-quarter-measures achieve and prove little or nothing.

Many private sector companies in this country are committed to the principle of direct financial incentives for top management and operate a

suitable bonus system with great success. They have almost always managed to overcome the problem of measuring achievement against defined objectives, even at the most senior levels, and nationalised industries could do the same provided they can be told where the goal-posts are for the current period and can be assured that no one will move them until the next period is completed. C. D. Power, Brook House, 113 Park Lane, W1

The British character and attitudes towards making money

From the Vice President, Simmons and Co International

Sir,—Ian Davidson ("Making money is not quite cricket," December 30) rightly questions the conventional wisdoms concerning the "class system" and its responsibility for the lack of economic dynamism in Britain. Living and working in one of the world's more dynamic economies for the past five years I have come to similar conclusions from empirical observation. In the firm I place a "class system" exists even in an economically dynamic society. As an astute leader of the Houston business community once told me, in Britain the class system is more apparent than real. In the U.S. it is more real than apparent.

Not only is the "British Establishment" in the very broadest sense of that term not interested in making money, a widespread feeling has been engendered that if one does it must automatically be at the expense of someone else, especially if it is made in a service-related activity. Furthermore, there is a pervasive resistance throughout society to considering even in principle, let alone dispassionately examining the relevant empirical evidence for or against, alternative methods of organising economic activity.

Yet I am not sure the British have never really been interested in making money. I have no doubt at all that the Northern Industrial entrepreneur in the post-Corn Laws era of the 1850s and 1860s would feel very much in tune with the spirit of Houston once he had fathomed out the freeway system and learned how to use the phone.

Anthony W. Henfrey, Simmons and Co. International, 1800 South Tower, Pennzoil Place, Houston, Texas 77002

From Mr K. Thomas

Sir,—We all enjoy talking about the matters raised in

Ian Davidson's article (December 30: "Making money is not quite cricket") and in the ensuing correspondence (January 11). It is a socially acceptable form of talking about oneself. May I join in the fun?

Life is pleasant with a competence than without. I lack personal experience, but I am told this and believe it. What one regards as a competence depends on one's expectations, the time-scale of one's personal decision-taking, and one's planning horizon.

This is relevant to Mr Jefferson's implied statement that the British worker is indolent and/or unco-operative. During University vacations I several times worked as an unskilled labourer in a factory making uniform metal objects. I soon became aware that foremen and managers had their task made much more difficult than it need have been by absenteeism. Workers on an hourly rate of pay spent much of their time, both in and out of working hours, calculating how much money they had earned that week. When they had earned enough for their week's needs, they ceased to turn up. The fact of absenteeism is undeniable. To the managers, it appeared as quite irresponsible. The workers, however, were undertaking fairly sophisticated calculations of the trade-off between extra marginal income and additional leisure. Their work was not particularly unpleasant but it was extremely boring. Another student working with me in the temporary unskilled gang commented that the point was not that our work was uninteresting, but that there was not one interesting job in the place; the managing director's job would have been an instructive challenge for six months, after which that too would have become boring.

From Mr P. Wood

Sir,—None of the many correspondents who have written to you on the British character and attitudes to making money appears concerned about the effect of what Ian Davidson calls "rural nostalgia" on agriculture and the rural economy; on the people born and bred in the

countryside who have to make a living and a profit there.

Every year fresh waves of more or less older people who have actually made money elsewhere arrive in the countryside and immediately start to take it off the pattern being more marked in the south than the north where local resistance and the existence of larger numbers of owner-occupiers among the farming community tends to act as a brake.

Rural people are forced onto the defensive over the way their own area is run. Farmers are forced onto the defensive by the sometimes fierce and newly-discovered enthusiasm for conservation on the part of people who have arguably "spoilt" the countryside with their industrial operations elsewhere and whose ruthlessly successful application of commercial criteria to their operations has enabled them to become part of a new, genially feudal overlordship.

Rural people, who are often not especially articulate, are actively encouraged to leave home building or any entrepreneurial activity that might help them improve their income or simply their quality of life. The result is that the countryside is becoming increasingly suburbanised in the interests of "rural nostalgia" by people who have no genuine stake in it. The basic attitude has never been more delightfully encapsulated than in my own native South Devon. A few years ago the National Park special planning board, rejecting an application to convert a ruined barn into a farm dwelling, said such a move would obviously be "injurious to the visual amenities" and would inevitably result in "signs of life". Peter Wood, Newbold Farm, Duntisbourne Abbots, Cirencester.

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The vultures are gathering

By Reginald Dale in Washington

"The stench of failure hangs over Ronald Reagan's White House," the New York Times.

"The spreading panic over the Reagan Budget," headline in the Wall Street Journal.

"What we are witnessing this January is not the midpoint in the Reagan Presidency, but its phase-out," David Broder in the Washington Post.

THE VULTURES are gathering over the White House. At mid-term, President Ronald Reagan has suddenly run into the severest barrage of public criticism that he has encountered in two years of office. His adversaries have gone so far as to suggest that his Administration is tumbling helplessly out of control in the manner of the latest doomed Soviet space satellite, and, like Cosmos 1402, breaking apart as it came down to earth.

Mr Reagan has been hurt and angered by the accusations, usually summed up in the one word "disarray," which he regards as both inaccurate and unfair. Most of all, he is upset by suggestions that he is no longer in control of a White House manned by a coterie of feuding officials who pay scant respect to his views and are increasingly trying to take what ought to be his own decisions for him.

Mr Reagan has been counter-attacked on two points. He has resorted to the traditional, though usually ineffective, device of a crack-down on White House "leaks," and on Friday he held an impromptu televised news conference, which he began by saying, only half-jokingly, that the time had come to straighten out the "disarray approaching chaos" that had broken out in the White House Press corps.

But Mr Reagan is not going to dispel the wave of criticism by Canute-like orders to it to recede. As he enters his third, crucial year as President, he faces his greatest challenges both at home and abroad—and yet his leadership has appeared to waver. He has not, as he himself maintains, "changed philosophically," but circumstances have, and he has yet to prove that he can master them. In the past few weeks:

● Two of his senior Cabinet members have resigned (Mr



Drew Lewis at Transport and Mr Richard Schweiker at Health and Human Services), both to be replaced by women. But there has been no sign of the carefully planned Cabinet reshuffle often expected of presidents at mid-term.

● His approval rating in the opinion polls has plummeted, from 45 to 38 per cent, according to one measure, and other polls show both Senator John Glenn and former Vice-President Walter Mondale beating him handsomely if he runs again in 1984.

● He has sacked his arms control chief, Mr Eugene Rostow, causing alarm and confusion over his intentions towards negotiations with the Soviet Union.

● He has given an impression of indecision amounting almost to desperation over his Budget policy.

All this at a time when the Democrats, sensing a new mood of disaffection in the country following November's mid-term elections, are planning to seize the initiative in Congress, and the balance of power looks to be tilting back towards Capitol Hill and away from Mr Reagan's White House. His own Republicans are looking increasingly anxiously towards the 1984 election, and growing restive over his continuing failure to clarify whether or not he plans to seek a second term.

By far the most serious "disarray" has been over the Budget. The two resigning Cabinet officers have not gone as a matter of principle, but because they feel that they have done their time in Washington and want to make more money in the private sector. Opinion polls can change, and the shake-up of the arms control establishment, though disquieting to many, is a sideshow in terms of who is really running the country.

What is alarming about the sudden deluge of Budget leaks is not so much that they may be inaccurate or even contradictory. It is that the President's advisers have been driven to revealing their views in public because he apparently will not or cannot do so in private. It is that the President's advisers lack of access to the Oval Office—listen to them otherwise.

Mr Reagan's style of leadership, in the past as governor of California and now in the White House, has never been to get too involved in the minutiae. He prefers the role of a political chairman of the board of directors, presiding over what he likes to call "Cabinet-type government."

What has been worrying some of his advisers in the last few days is that this is precisely what has not been happening. Mr Reagan has appeared less interested in nuts-and-bolts suggestions for cutting the Budget deficit and reviving the economy than in finding face-saving measures that could be reconciled with his original tax-cutting and defence-spending goals.

The result has been a public display of presidential detachment and indecision. Only hours before his Budget was due to be sent to the printers, Mr Reagan was ably telling reporters that many of the major decisions had not been made. The overwhelming impression was that the President simply did not know what to do.

Of course, it is easier to pick on a President's decision-making style when things are going wrong. The continuing failure of economic recovery to materialise has not only thrown into his overall economic strategy and played havoc with his Budget. Record post-war unemployment and the social hardships that are still gripping the nation have increased the

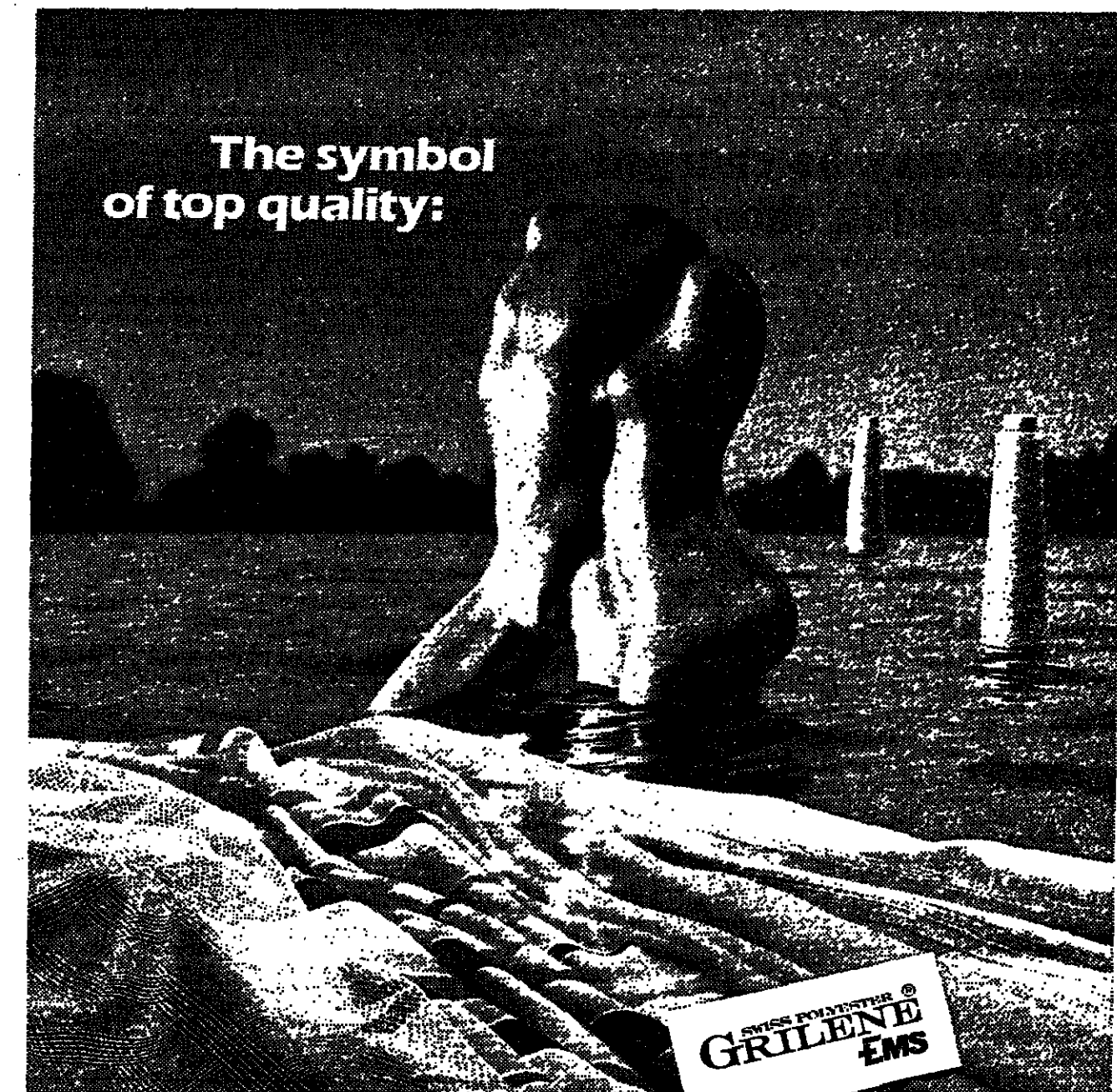
perception of the President as a man cut off from the real world, locked in the White House or isolated at his California mountain-top ranch, beyond the reach of everyday people and surrounded by only a few loyal officials and trusted friends.

Mr Reagan's senior White House aides are aware of the damage that has been done by the differences among his advisers that have surfaced in the Press—even if they have sometimes themselves been responsible for it. But they would claim that the differences are not necessarily more acute than in the past simply because they have been made public.

Privately, however, Administration officials acknowledge that Mr Reagan's image as a leader. The problem is particularly irksome for a president who has assiduously cultivated a reputation as a "warrior," following the indecisiveness of his predecessor, Mr Jimmy Carter. If he continues to give the impression that he has lost his winning streak, as he did during the "lame duck" congressional session at the end of last year, when he lost some major votes (most notably on his cherished MX missile), his influence on Capitol Hill will evaporate even faster.

He now has two early opportunities to find his feet again—his second State of the Union message, in a week's time, and the publication of his Budget at the end of the month. In the months ahead, his advisers also want him to show a more sensitive, caring touch through visits to unemployment offices, relief centres, minority schools and such like.

It will take more than that alone to solve his problems. But the optimism still see some good coming out of the latest "disarray." If it succeeds in knocking Mr Reagan far enough off his pinnacle to agree to a more realistic Budget—and not one that is immediately and unceremoniously thrown out by Congress—it may actually strengthen his position in the long run. If he persists in his attempts to "stay the course" with will, the wisp Reaganomics, he may really lose control over the process of policy formation—in which all too many others are now bidding to take a hand.



▲ 120.213 Love Story, sculpture by Hans Jürg Linbach, Hombrechtikon, Switzerland

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UK graduates in textile design who wish to work abroad

From the Chairman, The Cusart Company.

Sir,—The wish of many graduates in this country in textile design to work with plants abroad is due to far more complex factors such as the competition on price, in manufacturing, the desire to produce more variation in fashion in different countries, the complex retail structure which allows for more assortments of styles abroad than in this country in addition to the reasons given in Anthony Morrison's article of January 10.

To a large extent, design in this country has not been as profitable as it has elsewhere. There are very real new develop-

ments taking place in Great Britain, mainly among distributors and chain stores who are trying to encourage young technologists and designers to work in their organisations to guide suppliers to be more creative and still keep within the parameters of price which enable them to develop mass production.

The development of small craft industries seems to be growing here as elsewhere and hopefully many young designers will be able to be more fulfilled than previously. The Textile Institute has also made very real efforts to try and reappraise where technologists can develop

and encourage industry to take more designers.

The difficulty has always existed between a master craftsman designer and the artist. The technical designer has frequently not the flair of creative ideas and the artist/designer has not the training and discipline of the technical discipline in order to be successful. Often the new young designer in a college of design produces more creative ideas than at the end of a course when he or she has been disciplined to mastering techniques/technologies.

The Italians however, seem to have small units producing beautiful new yarns, very

accurate screen printing with gifted colourists, all in proximity to each other, the one stimulating the other. The result is that the needs of consumers in small towns to wear something different from their neighbours puts pressure on design creativity at a level which is unthinkable today in this country of chain stores, virtually dominating every major shopping centre in this country, and consumers' limited desire for high quality fashion, although fortunately this seems to be altering.

C. N. Nathan, The Cusart Company, 291, Oxford Street, W1.

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FINANCE MINISTERS TO INCREASE GENERAL ARRANGEMENTS TO BORROW

Accord likely on IMF funding

BY DAVID MARSH IN PARIS

LEADING finance ministers meeting in Paris today are expected to announce agreement on a sizeable increase in the General Arrangements to Borrow (GAB), the funding mechanism run by the main industrial countries to top up the resources of the International Monetary Fund (IMF).

This follows a preparatory meeting here yesterday of key economic policy officials from the Group of 10 industrial nations.

Although the gathering was devoted largely to technical questions, the gap among participants on the precise rise in the GAB - which totals just over \$7bn - was said by delegates to be "small".

Leading European nations would like the total size of the GAB to be raised to around \$20bn. The use of GAB is at present limited to the Group of Ten but it is planned to enlarge it to take in developing countries.

With a planned rise in IMF quotas, to be put into effect one year earlier than expected, at the end of this year or the beginning of next, the GAB increase could take total IMF resources to \$120bn or more, according to the hopes of countries like France.

Delegates made clear yesterday that the precise rise in IMF quotas will not be decided until the IMF in-

tern committee convenes in Washington next month.

Europe favours a 50 per cent-plus rise, while the U.S. has said it will not sanction such a large increase, partly for fear of having the proposal rejected by Congress.

Hopes of agreement between UK and Europe on macroeconomic policies have been fuelled by Mr Beryl Sprinkel, the U.S. Treasury Under Secretary for Monetary Affairs. He called for growth to resume in industrial countries this year as part of a bid to help the developing world.

Otherwise, key officials are placing hopes for an economic stimulus this year on a rising U.S. current ac-

count deficit of around \$20bn, and a lower dollar. Both should help the expansion of world trade.

Today's finance ministers' session is the first full-scale Group of Ten gathering outside an IMF meeting since March 1973. Ministers were then convened hastily amid currency upheaval to bury the last vestiges of the fixed exchange rate Bretton Woods system.

The main policy preoccupations 10 years ago, when the dollar's slump and the U.S. balance of payments deficit represented enormously disruptive forces, were completely the opposite of today's - a fact which some Paris officials with long memories find deeply ironic.

Euro-MPs in court move on transport policy

By John Wyles in Brussels

THE European Parliament has concluded that 25 years is long enough to wait for a common EEC transport policy and is breaking new legal ground by prosecuting the Council of Ministers at the European Court for an alleged "failure to act".

The unprecedented move is another example of the Parliament attempting to use whatever weapons appear to be at hand to speed up the pace and quality of decision-making by member governments.

The legal bludgeon may yet crumble in its hand, for it has never been established that a failure to take decisions can be an infringement of the Treaty of Rome.

Nevertheless, the Parliament will arm itself with Article 175 of the Treaty which allows a court action "should the Council or the Commission, in infringement of this Treaty, fail to act".

According to the Parliament's legal affairs committee a court victory would force the Council to vote on at least 17 European Commission proposals by the controversial use of a qualified majority.

The legal affairs committee report said that, at the very least, court proceedings "would demonstrate (to the citizens of the Community) that their elected representatives are doing everything in their power to honour their obligations to further the attainment of Community objectives".

The court move follows a parliamentary decision last September to give the Council two months to adopt the necessary measures - some of which have been gathering dust in the Council's pending tray for 10 years.

The Council responded by producing a 12-page document acknowledging the need for further action but stressing that everything was subject to the process of political evolution. Member governments evaded a lengthy annex setting out the decisions and regulations adopted in the transport field.

None of these measures, counters the Parliament, satisfy the requirement of Article 3(e) of the Treaty for "the adoption of a common policy in the sphere of transport". The consequence is a patchwork of national regulations and policies which hinder the functioning of the common market, it alleges.

The Treaty failed to lay down time limits for the adoption of a common policy, but, says a parliamentary report, now that the Treaty has been in force for 25 years "all possible time limits have expired".

According to the Parliament, the foundations of a common policy would include common rules governing transport to or from a member state or across the territory of member states, rules for non-EEC air carriers, a host of harmonisation measures, common pricing rules for road transport and inland navigation, and regulations on transport infrastructure.

EEC faces Tokyo claims over lasers

By Giles Merritt in Brussels

THE EEC is expected to be faced soon with a Japanese Government claim for compensation as a result of its move to impose doubled tariffs on laser-based hi-fi equipment from Japan.

European Commission officials yesterday confirmed that the proposed new EEC tariff measures, give Japan the right to compensation. The tariffs are designed to stem Japanese sales of the new generation hi-fi and so protect EEC markets for Philips, the Dutch electronics giant, which is launching its own laser hi-fi in March.

To allow Philips and other producers in Europe of the new equipment a breathing space, EEC Governments are being asked to approve a move under Article 28 of the General Agreement on Tariffs and Trade (GATT) for a five-year increase in the present 9.5 per cent tariff to 19 per cent.

But officials have made clear that the price of the tariff "deconsolidation" will most probably be a Japanese demand under GATT rules for compensation.

In the uneasy climate of EEC-Japan trade relations, the effect of the hi-fi measures could be to strengthen Tokyo's claims that it is increasingly the victim of protectionism.

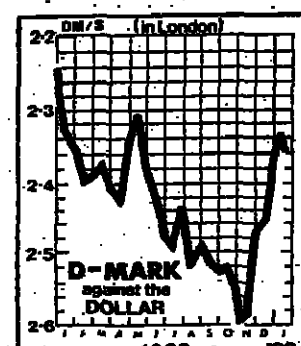
Last autumn, the EEC sought to put Japan in the dock for protecting protectionist curbs by launching a GATT Article 23 action that challenges Tokyo's restrictive import policies.

It is understood that the EEC aims to bring the increased tariffs into force by March of this year.

THE LEX COLUMN

Election jitters for D-Mark

West German stock markets have been discounting the forthcoming federal elections since well before Christmas, but it is only now that the foreign exchange markets have begun to catch up. The effects can be seen most clearly in the recent behaviour of the Swiss franc. From trading at SwFr 0.85 to the D-Mark before the change in the West German Government last autumn, the Swiss currency has strengthened to SwFr 0.82 last night - and this despite a cut in Swiss one-month money market rates from over 3 per cent in December to 1.75 per cent.



The D-Mark is being partly protected by the weakness of the dollar, and the markets in West Germany argue that the economic fundamentals are flowing in its favour. But the early softness of the D-Mark yesterday, before firming at \$2.3580, indicates that the strong run in its favour may be losing momentum. International investors, who abandoned the dollar for the West German currency following the Polish crisis, are now worrying about the prospect of a hung Parliament.

In fact, with an election coming up, and export market sluggish, the Government is probably not unhappy with the D-Mark where it is. The priority is to give a further prod to domestic expansion. Money market rates at around 5.5 per cent, about half of their level of a year ago, are pointing to a cut of at least 0.5 per cent in the Bundesbank's discount rate at this Thursday's council meeting; and given that it needs to be seen clearly standing on the sidelines during the election campaign, the Bundesbank has to move either this week or in a fortnight.

Berisford

The erstwhile board of British Sugar, now trickling into Woolworth House for a stab at retailing, will have received an object lesson in acquisition strategy from yesterday's S & W Berisford preliminary figures. The takeover of BSC has lifted Berisford's earnings after three years of stagnation.

Reported profits before tax have risen from £40.8m to £54.7m during the year to September, but the increase is wholly attributable to BSC, which was created as an associate for the first 10 months and then as a subsidiary. Profits of the old Berisford group have slipped by £2m to around £35m reflecting a

slack period in the commodity markets.

The heavy bias towards cash in the Berisford offers will limit the earnings dilution in the current year but will also saddle the group with a dramatic level of balance sheet gearing. Shareholders funds of around £310m supported net debt of about £490m in the September balance sheet but the seasonal working capital requirements of BSC could push borrowings to nearer £700m by March.

Berisford is accustomed to working with high levels of debt but the BSC acquisition has reduced the ratio of quick assets to overall capital employed, which argues for an adjustment to more conservative gearing levels. Disposal of a City of London property and of the Rank's Hovis McDougall holding might net Berisford around £20m but this will hardly take care of the problem overnight.

Meanwhile, the commodity markets remain pretty dull - with sugar a disaster area - and cash flow from BSC will be constrained by competitive retail margins and a modest community price increase. So, at some stage, Berisford will presumably be tempted to refinance the deal with equity, a fact which the share price - trading on 7.8 times historic reported earnings at 204p - may already have discounted.

Lloyd's disclosure

One cheer for the new disclosure requirements at Lloyd's and the efforts of Ian Hay Davidson, Davidson, who starts work as chief executive of the controversial Lloyd's insurance market next month, has come up with a set of proposals for disclosure at Lloyd's, the like of which the 300-year-old insurance market has not seen in its history.

These innovative proposals do

not go far enough in the current scandal-ridden climate. The main plank of the Davidson proposals is a central register of connected insurance interests maintained by the working underwriters of the Lloyd's market. Those interests are to be made public yet the quantum of benefit derived from those relationships is not. That is to remain confidential to "restricted categories" - the ruling council, its staff and the auditors of the relevant underwriting syndicates.

Members of Lloyd's will be able to consult the register to examine the quantum of benefit derived from their own underwriters' relationship with other insurance interests, but no other underwriters' interests can be studied. Insured members are to be asked to leave it to the Lloyd's ruling authorities to decide whether the level of benefit derived from these relationships is abnormal or unacceptable. The fullest public disclosure is essential if confidence in the operations of the market is to be restored.

BOC

BOC's annual accounts have established a reputation as pacesetters in recent years, and, in November, the 1981 set won the Number 1 accolade from the Society of Investment Analysts. But the 1982 set, published yesterday, will be perused with more than usual interest by other companies as much as by users. For they are the first real example of accounts incorporating the provisions of the 1981 Companies Act.

BOC is not mean-minded about providing information. Indeed, the UK industrial gases group presents its accounts under no fewer than four separate conventions. Nevertheless, even BOC has had to do some extra work, for instance in adding turnover by destination to its already excellent segmental breakdown.

The 1981 legislation has required a more detailed breakdown of profits, share structure, borrowings and working capital. While the extra information is valuable for users, the lack of flexibility may be found ironic. Some familiar definitions - shareholders' funds, for example - disappear, and the extraction of key financial ratios becomes more complex. As for the producers of accounts, if BOC has had problems others will find their resources severely stretched to satisfy the act's requirements.

Unimation expands UK robot operations

BY PETER BRUCE IN LONDON

UNIMATION, one of the world's leading industrial robot producers, is to make the biggest investment in robotics manufacturing in the UK under a £10m (\$16m) scheme to expand its British subsidiary, Unimation (Europe).

Plans to widen production at the U.S. group's Telford plant in central England are being partly funded by the Department of Industry and the National Research Development Corporation (NRDC), part of the state-owned British Technology Group. The expansion will create about 250 jobs over three to four years.

Unimation, the target of a \$107m agreed bid by Westinghouse, is to put up £8.5m for the scheme, the NRDC has allocated £2m "venture capital" which it hopes to recoup through a sales levy, and the Department of Industry is making a grant worth £1.5m.

The U.S. company, which has roughly a third of the \$350m world market in industrial robots, has been manufacturing its Puma 560 robot at Telford under a joint venture with the NRDC for three years.

The UK subsidiary made net profits in the year to the end of last July of £500,000 on £8.7m sales. The Telford plant, which employs 120 people, was built primarily to service the UK and European markets. Of the initial £420,000 provided by the NRDC, £250,000 has been paid

back, and another £150,000 is due to be repaid this month.

Mr Joe Engelberger, Unimation's founder and president, said that besides increasing output of Telford's existing lines, a bigger robot would be produced at a development cost of £5m, and a further £3m would be spent on developing a systems engineering division.

Some UK-manufactured components were being used in Unimation machines built in the U.S., he said.

Unimation makes no secret about welcoming the Westinghouse takeover bid, which remains subject to anti-trust rulings. The recession has hit robot producers in the U.S. and last year, on a total sales of \$73m, Unimation made a net loss after pre-tax profits of just over \$1m.

Mr Engelberger said the recession had inhibited investment in robotics and it was inevitable that the industry would undergo severe rationalisation in the next few years.

That has begun in the UK. Last year Hall Automation, the largest indigenous British manufacturer, was bought by GEC. About 35 companies make robots in the UK, compared with more than 100 in the U.S. and nearly 150 in Japan.

Unimation plans to produce hydraulic and electrically powered robots at Telford. The electronic technology is generally cleaner, quieter and more precise.

IBM may tender for Indian rail contract

BY JOHN ELLIOTT, INDUSTRIAL EDITOR, RECENTLY IN NEW DELHI

INTERNATIONAL Business Machines of the U.S. is believed to be considering tendering for its first contract in India since it shut its operations there five years ago after a row with the Indian Government over company ownership laws.

The contract would involve providing computer hardware worth some \$50m to \$60m for a communications centre planned by the Railway Board of India as part of a computerisation programme of the railway network.

Subsidiaries of British Rail and Canadian National Railways are tendering for a \$150m to \$200m consultancy and software contract which would embrace the hardware.

This is one of two major computer contracts being planned in New Delhi. The other is being considered by the Department of Electronics. It would involve a foreign company co-operating with the state-owned Electronics Corporation of India to develop a medium-to-large scale machine which would be manufactured and marketed in India.

IBM withdrew from India in 1977-78 because it was not prepared to dilute ownership of its Indian subsidiary to 40 per cent in line with the country's Foreign Exchange Regulation Act.

Since then it has not done any business in the country and has not tendered for the 50 large computers installed in India during the past four to five years.

But it might break this record over the railway work. Canac, an offshoot of Canadian National Railways, and Transmark, part of British Rail, are submitting tenders which will be evaluated in April for the rail board's computerisation centre in Delhi.

The winner will provide computer consultancy and software based on its own country's system, both of

which are built around IBM's TOPS programme.

Other companies - including Fujitsu and NEC of Japan and Univac of the U.S. - make compatible equipment which could be used but there is speculation in New Delhi that IBM might decide to tender.

IBM's headquarters is doing nothing to contradict the speculation and it is believed that a bid is being actively considered.

The company said that "if major requirements arise for IBM equipment in India, IBM will respond by making these products available on an off-shore sale basis through one of its subsidiaries".

IBM had "no plans to re-establish an organisation in India and it did not anticipate any near-term change in the status of its operations in India". But there was a "mechanism in place should a customer in India require equipment".

This indicates that if IBM believed the Indian Government wants it to participate in the railway work, and if it will grant the necessary import licences without creating major obstacles, equipment would be offered through a subsidiary, such as IBM Singapore.

Mr Gujral, chairman of the rail board which is believed to favour IBM, said recently that IBM was "not ruled out". The Electronics Department in Delhi is thought to be less keen than the board, but it has adopted the same sentiment.

The work forms part of a seven-year programme aided by a World Bank loan to computerise the railways' communications and telecommunications, starting with freight transport.

There will be nine regional computer systems for which most of the computer equipment will be supplied by the Electronics Corporation of India. But international expertise is needed for the central system in Delhi.

Racal buys U.S. group and settles with Philips

BY GUY DE JONQUIERES IN LONDON

RACAL ELECTRONICS of the UK has extended its interests in marine and airborne navigation systems by purchasing Megapulse, a U.S. manufacturer of transmitters and receivers, for about \$20m.

Racal has also settled its year-long dispute with Philips, the Dutch electronics company, over sales by the latter of marine equipment which is designed to use the net-work which Racal operates for users of its Decca Navigator.

According to Racal, Megapulse is the leading supplier of Loran-C marine and airborne navigation transmitters to the U.S. Coast Guard. It has also sold systems to the Canadian, Saudi and French governments.

The U.S. company, which is based in Bedford, Massachusetts, reported a \$4.8m pre-tax profit on sales of \$14.2m during its financial year to September 30. Racal expects Megapulse's turnover to be \$20m during the current financial

year and to reach more than \$100m by 1987-88.

Sir Ernest Harrison, Racal's chairman, said that the acquisition would also bring to the company Megapulse's expertise in advanced technologies such as high energy lasers, controlled fusion and electron beam techniques.

Under its settlement with Philips, Racal will have exclusive rights in Britain and Ireland to market under its own name the AP navigation system made in Denmark by a Philips subsidiary. In exchange, the Dutch group will make an undisclosed payment towards the cost of maintaining the Decca Navigator network.

Racal, which supplies the Decca Navigator almost exclusively on rental, had complained that Philips was competing unfairly by selling similar equipment without contributing towards the upkeep of the network.

Bonn divided on tax

Continued from Page 1

Still more receptive to charges that they favour big earners against the less well off (who gain no repayment on their taxes and other deductions).

However, the CDU-CSU has come out against repatriation only after agonising discussion. The Union parties recognise that the decision will not only bring friction with the FDP, but could be interpreted by voters as a broken pledge.

The government meanwhile has astonished everyone by spending - and borrowing - less than it planned. Figures released yesterday show that last year the govern-

ment spent DM 244.7bn, 1.7 per cent less than scheduled, and received DM 207bn, 0.8 per cent more than expected.

The upshot was a net borrowing requirement of DM 37.2bn (after allowing for DM 0.5bn revenue from issue of celebration coins) which was 2.5 per cent less than government planners had thought.

The surprise figures partly reflect government savings measures. Personnel expenditure rose by only 0.9 per cent against 1981, and a cut in family allowances brought greater relief to state finances than expected. Falling interest rates also helped cut the state's debt burden.

Police may be charged over London shooting

BY PETER RIDDELL AND IOR OWEN IN LONDON

MR WILLIAM WHITEHEAD, Britain's Home Secretary, yesterday promised a full report and a ruthless response following the police shooting of a member of the public in central London last Friday.

He said Sir Thomas Hetherington, the director of public prosecutions would decide whether criminal charges should be brought against the police officers responsible for the shooting of Mr Stephen Waldorf, when he was mistaken for a fugitive offender in a busy London street on Friday.

But Mr Whitehead faced strong opposition criticism over his failure to establish an independent inquiry.

Mr Roy Hattersley, Labour's shadow Home Secretary, underlined the nationwide concern not only over the shooting of one innocent man but also over the practices and procedures that had made it possible.

He maintained that the regulations governing the use of firearms did not allow the police to open fire on targets which were not palpably offering a threat to the life and safety either of police officers or the general public.

Mr Hattersley also argued that it was completely unsatisfactory that the investigation into the shooting of Mr Waldorf was being carried out by members of the police force itself.

He called for the appointment of an independent individual to conduct what would be seen as an objective and open-minded inquiry.

Lord Elton, Home Office Under Secretary, told the House of Lords that the Metropolitan Police fully accepted its responsibility to make amends for the shooting "so far as that is possible in financial terms."

The amount of compensation would depend on considerations which could not yet be judged.

The statement came as the condition of Mr Waldorf, who was sitting in a stationary car when he was shot, deteriorated. After his lung had been drained, Mr Waldorf was said to be "critical and stable".

Mr Whitehead promised MPs that there would be a thorough examination of the rules governing the issue of firearms to police in order to take account of the lessons to be learned from Friday's incident.

Mr Whitehead was not criticised by Conservative Right wingers. The general view among members of his own party was sympathy. Mr Whitehead could not be blamed for a horrific and isolated incident.

Many were also clearly determined to prevent a vendetta against the police, arguing that they were right in most cases.

But there was uproar on the Labour side and evident unease among many Conservatives at the suggestion by Mr Alan Clark that "by no stretch of the imagination could the people in that car be termed ordinary members of the public, as at least two of them were tainted with criminality."

Editorial comment, Page 14

World Weather

	°C	°F		°C	°F		°C	°F		°C	°F				
Amsterdam	S	14	57	Dusseldorf	S	13	55	Melaga	S	16	61	Sabbing	C	8	46
Algeria	S	15	59	Faro	S	14	57	Malta	S	17	63	Sand	C	3	37
Antwerp	S	17	63	Frankfurt	S	16	61	Moscow	S	16	61	Sand	C	3	37
Barcelona	S	17	63	Geneva	S	16	61	Moscow	S	16	61	Sand	C	3	37
Berlin	S	14	57	London	S	14	57	Moscow	S	16	61	Sand	C	3	37
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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday January 18 1983

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French banks adopt informal loan queue

BY DAVID MARSH IN PARIS

FRANCE'S nationalised banks are consulting more frequently with the Finance Ministry about the timing of their increasingly frequent fund-raising forays on the international capital markets.

But officials at the Treasury in Paris say that, contrary to fears in some banks, the Government is not bringing in any formal system to regulate bank borrowing abroad, along the lines of the "queue" operated for other public-sector borrowers.

French public-sector institutions, borrowing with a state guarantee, raised a total of \$10bn in publicised bond issues and credits on the international capital markets last year. To this was added \$2.9bn in bond issues and floating-rate notes by the banks (a six-fold increase from 1981, when the figure was only \$500m), and the \$4bn Euromarket credit arranged for the Republic last October.

Together with other borrowing such as the recently-arranged credit line with Saudi Arabia, and diverse private and public-sector operations, total French borrowing abroad last year may have been as much as \$25bn, according to estimates circulating widely in Paris.

The French banks which regularly borrow on the Euromarket have started 1983 with a bang. Banque Indosuez, Banque Nation-

Two forest groups see signs of upturn

BY RICHARD LAMBERT IN NEW YORK

TWO MAJOR forest product groups yesterday indicated that business conditions were beginning to improve after what they described as the most adverse period for their industry in modern history.

Mr George Weyerhaeuser, president and chief executive of Weyerhaeuser Company, said that the bottom of the cycle appeared to have been reached in November.

Markets for pulp, paperboard and some paper-based products appeared to have stabilised, although most were expected to remain relatively weak for at least several months.

The rapid strengthening of the yen against the dollar had restored significant competitive strength in serving Japanese markets, which normally accounted for about 15 per cent of the group's total sales.

Weyerhaeuser's sales for the year fell from \$4.5bn to \$4.2bn and its net income dropped to \$109m or \$1.12 a share, compared with \$228m or \$1.62 a share in 1981.

Reporting earnings for the fourth quarter were \$58m or 38 cents a share, compared with \$48m, or 30 cents a share a year earlier. The latest period included a net credit of 49 cents a share from non-operating items.

Boise Cascade's sales in 1982 dropped from \$3.1bn to \$2.9bn and its earnings slumped from \$120.1m or \$4.50 a share, to \$73.3m or 26 cents a share. The group recorded a small loss at the pre-tax level - which was offset by a tax credit.

Earnings of 28 cents a share in the final quarter were boosted by a tax benefit and a change in actuarial assumptions covering the group's pension provision, but the period also took in a foreign exchange loss.

The group's paper business was especially hard hit in the final quarter, with weak demand for pulp and paper and falling prices for several major products.

Mr John Fery, Boise's chairman and chief executive, said that business conditions were still severely depressed and would probably remain so through the first quarter of 1983.

But he added that a continued modest improvement in home construction should lift the group's building materials activities. He said that the paper business appeared to have hit bottom, and was likely to improve gradually as the economy strengthened.

British companies advised to 'have a go' Eurobonds attract Allied-Lyons

BY ALAN FRIEDMAN IN LONDON

"I THINK more British companies should make use of the Eurobond market. The thing to do is to take courage in your hands and have a go."

This advice comes from Mr John Clemes, chairman of the influential "Hundred Group" of British corporate finance directors and a man very satisfied indeed with his own recent forays into the Eurobond market.

For Mr Clemes is also finance director of Allied-Lyons, the brewery-to-foods group which started the New Year with a \$75m 8-year 11 1/4 per cent Eurobond, its first in the dollar sector and a rare appearance by a British company.

The purpose of the new Allied-Lyons Eurobond is to help refinance around \$40m of U.S. dollar debt incurred last year when the group acquired an ice-cream company from Coca-Cola and a coffee company in the U.S.

The group can also use dollars for other U.S. activities and the money is cheaper than it would cost to borrow in sterling.

The final attraction for Allied-Lyons was that as it pays the full rate of U.S. tax (and receives full tax relief on dollar bond interest payments), its coupon cost will be partly borne by U.S. Internal Revenue Service.

For a group which spends around \$90m a year on capital investments and has an outstanding debt of \$400m, a bond issue of \$75m may seem small beer. But Mr Clemes says that he and Mr Vernon Cull, group treasurer, had been planning the issue since 1980.

"We felt the coupon ought to be under 12 per cent, but it wasn't until the summer of 1982 that we thought there might be an opportunity. In November we saw a window opening," recalls Mr Cull.

The two Allied-Lyons executives chatted with County Bank, their adviser on the deal, every day. Just after Christmas ("when most people were on holiday") they decided that the fundamentals were right. At 9.30am the morning of January 4, the first working day of 1983, Allied-Lyons gave the signal for launch.

The deal has not been an outstanding success in the Eurodollar bond market. Allied-Lyons is not a household name on Zurich's Bahnhofstrasse in quite the way IBM or Campbell Soup might be. Nonetheless, the issue was led by County Bank and Samuel Montagu and after a sluggish start was placed with Euromarket investors.

The paper was trading yesterday at a discount of 1 1/4 per cent from its issue price of par, indicating approval though not enthusiasm on the part of investors.

The Allied-Lyons bond is a "partly-paid" deal, with only 25 per cent of the purchase price payable now and the balance due next August. The partly-paid technique is now very popular in the dollar-sector.

Allied-Lyons was the first company to issue a public Eurosterling bond on a partly-paid basis; this occurred last October.

This was a 10-year 12 1/2 per cent \$30m bond led by Hill Samuel. The initial 25 per cent was payable on application and the balance is due in April.

Mr Clemes is pleased with the use of this fund-raising technique, but he is even more pleased that the \$30m sterling bond also made use of an interest rate swap.

Through an arrangement with Standard Chartered Bank, acting as intermediary, Allied-Lyons was able to trade its 12 1/2 per cent fixed-rate coupon with an anonymous counterparty which provided floating rate debt at the London interbank offered rate (Libor).

Messrs Clemes and Cull then were able to use the \$30m of proceeds to refinance floating rate debt at "a significant saving". The counterparty was not identified, but Allied-Lyons insists it was "a non-controversial, European, sound company".

Much of this may sound run-of-the-mill for veteran borrowers in the Eurobond market, but it is still considered daring by several British finance directors.



Mr Vernon Cull, group treasurer (left) and Mr John Clemes, finance director

Security Pacific records eighth successive year of profit growth

BY PAUL TAYLOR IN NEW YORK

SECURITY PACIFIC Corporation, the parent company of the tenth largest bank in the U.S., yesterday reported sharply higher fourth quarter and full year earnings.

Income before security transactions in the fourth quarter increased by 26 per cent to \$65.5m or \$2.28 a share from \$53.6m or \$1.80 a share in the 1981 period. This helped full year operating income post a 13 per cent increase from \$207.2m or \$7.08 a share to a record \$234.3m or \$7.83 a share.

Securities gains and losses were not significant in either the quarterly or full year results.

Mr Richard Flannan, chairman, said the results represented the eighth successive year of strong profit growth for the bank and added "these record earnings were achieved in spite of significant uncertainties in the world economy, a situation which we expect to see continue throughout 1983."

Security Pacific, which recently acquired a 29.9 per cent stake in Hoare Govett, the UK stockbroker, and has been moving aggressively into the discount brokerage business in the U.S., was helped in the fourth quarter and full year results by the sale of the headquarters building of its 69 per cent owned subsidiary, the Bank of Canton.

This sale resulted in a pre-tax gain of \$50.5m, offsetting "an acceleration of loan charge-offs, a significant build-up in credit reserves and other expense items." Mr Frank Cahouet, the company's vice chairman and chief financial officer, said the sale added about 4 per cent to earnings for the year.

Net interest income for the year increased by 16 per cent to \$1.128bn from \$969.6m.

A 20 per cent increase in fourth quarter net interest income to \$295.7m over the same period in 1981 came despite a substantial increase in non-performing loans.

These loans totalled about \$680m at the end of the year compared with \$33m at the end of 1981 and \$553m at the end of the third quarter. Most of this increase in the fourth quarter resulted from placing certain international credits on a non-performing status, the bank said.

The bank's reserve for credit losses was also increased significantly. The provision was \$65.4m for the fourth quarter compared with \$14.9m in the same period in 1981 and \$37m for the third quarter.

For the year the provision totalled \$162.4m compared with \$72.1m in 1981. At the end of the year the reserve for total credit losses was \$252.6m or 1.13 per cent of total loans compared with \$111.3m or 0.97 per cent of total loans at the end of 1981.

Net credit losses in the fourth quarter of \$42.4m resulted in an annual total of \$98.1m compared with \$44.7m in the previous year. The \$53.4m increase included a \$35.2m increase in gross charge-offs and a \$18.2m decrease in recoveries.

Toppan Printing maintains sales

BY YOKO SHIBATA IN TOKYO

TOPPAN PRINTING, Japan's second largest printing company, maintained its profit and sales position in the first half of the fiscal year to October 30, 1982, although demand in the industry slowed down.

Although the trading account showed a poorer out-turn than in the same period last year, improvement in the company's financial balance, primarily to a net gain on interest charges, enabled it to maintain its overall earnings position and keep its dividend unchanged at ¥4.50 per share.

Toppan's unconsolidated operating profits for the half year reached ¥14.8bn (\$63.5m), up by 2.5 per cent over the same period in the previous year. Half-year net profits were 1.2 per cent higher to reach ¥7.2bn, on half-year sales of ¥237.4bn up 6.5 per cent over the previous year. Half-year net profits per share were ¥17.51, compared with ¥18.43 in the previous year.

Sales in the general printing sector, representing 62.9 per cent of the total, rose by 7.4 per cent. Sales of electronic parts, including micro-precision parts, printed circuit boards and lead frames were particularly strong. Publication sales advanced by 7.4 per cent to account for 19.2 per cent of the total.

For the current half year ending March, 1983, the company sees a double-digit growth in its electronics parts division and recovery in paper container sector.

Full-year operating profits are expected to reach ¥30bn, up by 4.2 per cent over the previous year, with net profits projected at ¥15bn, up by 5.1 per cent, on expected sales of ¥475bn, 8 per cent up on the previous year.

Zurich bank profits rise

BY OUR ZURICH STAFF

BANK JULIUS Baer, Zurich, lifted net profits by 8 per cent last year to SwFr 16.4m (\$8.45m), and paid an unchanged 15 per cent dividend on increased share capital of SwFr 67.5m.

The bank is wholly owned by the Zurich-based company, Baer Holding, which plans to issue a convertible bond loan of SwFr 30m in March.

The balance-sheet total rose by SwFr 528m to SwFr 1.75bn last year.

Takeover for Data Terminal

BY OUR FINANCIAL STAFF

DATA TERMINAL Systems, the second-largest maker of electronic cash registers and point of sales equipment in the U.S. after NCR, has agreed to a takeover by National Semiconductor, the U.S. electronics components and computer group.

The deal approved by both companies' boards has two parts. In the first National Semiconductor will pay \$8 a share cash for up to 4.3m Data Terminal common shares, or about two-thirds of the total. In the second stage holders of the remaining shares will receive \$7.25 a share. The deal values the company at about \$50m.

Olivetti, the Italian office equipment company, has a stake of 12 per cent in Data Terminal. There was no immediate comment on the deal from Olivetti which had bought into Data Terminal to strengthen its U.S. presence. It also sells the U.S. company's products in some European countries.

Data Terminal reported a loss of \$14.7m on sales of \$122m in 1981, reflecting the weak economy. Demand from its major customers, the food and retail industries, collapsed just when the company had embarked on a major expansion programme.

The company has cut costs but a substantial although lower loss for 1982 is forecast by Wall Street analysts.

Mr Warren Tyler, president of Data Terminal, said: "The technological and financial resources of National Semiconductor will give our customers, distributors and dealers the added confidence they need to commit themselves to our products."

U.S. Home moves back to profit as starts rise

BY OUR FINANCIAL STAFF

U.S. HOME Corporation, the largest private home builder in the U.S., returned to the black in the fourth quarter of last year, and has achieved a modest increase in profits for 1982.

The fourth quarter increase is a result of lower U.S. interest rates which have eased the burden on mortgage finance and boosted home starts.

In the final period, the group showed a profit of \$5.89m or 38 cents a share against the previous year's loss of \$8.9m or 60 cents on revenues up more than 16 per cent at \$226.2m against \$194.1m.

The profits also represent a significant improvement on the first three quarters of the year. While the third quarter was slightly ahead, the second quarter was sharply down, and the first quarter showed a deficit.

U.S. Home has been subsidising home buyers' financing costs in order to boost flagging sales earlier in the year, and despite this sales fell 19 per cent in the first nine months of 1982.

For the whole of 1982, U.S. Home net profits moved ahead nearly 21 per cent from \$10.02m or 69 cents a share to \$12.11m or 75 cents a share on sales down 12 per cent from \$982.2m to \$864.2m. The results include a gain of \$2.03m or 12 cents a share from the exchange of stock for debt, against a gain of \$3.23m or 22 cents a share in 1981.

The increase comes despite a 3 per cent decline in new orders for 1982 13,055 from 13,438 in 1981.

Norwegian group sees profit fall

BY FAY GLESTER IN OSLO

A STEEP fall in 1981 profits to breakeven levels is reported by the Norwegian Borregaard group, whose interests span forest products, chemicals, minerals, foodstuffs and toiletries.

The board will, however, recommend paying an 8 per cent dividend from funds.

The 1981 dividend was 11 per cent, unchanged from the previous year. Group external sales at about Nkr 3.7bn (\$500m) were only slightly less than a year earlier when they stood at Nkr 3.8bn.

A preliminary report says that operations in 1982 are expected to show a result before year-end appropriations of "close to zero," compared with a profit of Nkr 151.2m in 1981. The steep decline reflects heavy losses in the second half of last year by the group's Sulphite cellulose plant at Sarpsborg, in East Norway.

Alcan closes smelter in West Germany

BY OUR INDUSTRIAL STAFF

ALCAN ALUMINIUMWERKE, a West German subsidiary of the Canadian aluminium group, is closing its primary smelter at Ludwigshafen, affecting 330 employees.

The company first announced its intention to close the smelter last September in response to a proposed substantial increase in electric power prices from the local utility, Pfalzwerke.

The closure was then postponed at the request of provincial and municipal officials while attempts were made to negotiate an acceptable power price.

This has not been possible, and so the smelter can no longer produce metal at costs that are competitive, even though it is modern and efficient, Alcan says.

Improved profit for Ciba-Geigy

BY JOHN WICKS IN ZURICH

CIBA-GEIGY, the Swiss chemical group, said yesterday its earnings improved again last year despite a rise of only 1 per cent in consolidated sales. No figure was given for the profits in consolidated sales.

In 1981, group profits jumped by 71 per cent to SwFr 521m (\$269m) after a 14 per cent sales increase.

The earnings growth is attributed by Ciba-Geigy Basel, the parent company, to the satisfactory performance of the biological divisions and above all to re-structuring and rationalisation over the past two years.

Total sales were up by SwFr 200m (\$103m) in 1982 to a record SwFr 13.8bn. The modest growth rate was partly the result of the strength of the Swiss franc, with sales rising by some 8 per cent, in local currencies.

Business suffered from the recession. Difficult market conditions were experienced by the dyestuffs and chemicals division, whose Swiss-franc sales dropped 2 per cent to SwFr 2.15bn, and the plastics and additives division, where sales fell off by 1 per cent to SwFr 1.58bn.


The Airwick division's sales fell by 4 per cent to SwFr 880m. The Ilford group saw a sales decline of 10 per cent to SwFr 420m and the electronic equipment division, a 1 per cent fall to SwFr 400m.

Despite what the company calls restrictive government measures - such as pressure on prices and intervention in prescribing practices - the pharmaceutical division lifted sales in 1982 by 3 per cent to SwFr 4.08bn.

A 2 per cent increase, to SwFr 3.45bn, was registered by the agricultural division.

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

OCTOBER 1982



THE REPUBLIC OF GABON

COUNTER-VALUE OF
US \$460,000,000

FINANCING OF THE CONSTRUCTION OF THE SECOND SECTION OF THE
TRANS-GABONESE RAILWAY
BOUE-FRANCEVILLE
TO BE CARRIED OUT BY THE EUROTRAG CONSORTIUM

FRF 1,205,000,000 GUARANTEED BY COFACE AND PROVIDED BY BANQUE NATIONALE DE PARIS
BANQUE PARIBAS CREDIT LYONNAIS BIAO - AFRIBANK SOCIETE GENERALE BANQUE DE L'UNION EUROPEENNE BANQUE INDOCHINE CITIBANK S.A. PARIS BANQUE FRANCAISE DU COMMERCE EXTERIEUR CREDIT DU NORD CREDIT COMMERCIAL DE FRANCE MIDLAND BANK FRANCE S.A. BANQUE WORMS BANCA NAZIONALE DEL LAVORO-PARIS BANQUE FRANCAISE INTERNATIONALE

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HAMBURGER LANDESBANK GIZENTRALE BADISCHE KOMMUNALE LANDESBANK GIZENTRALE LANDESBANK RHEINLAND-PFALZ GIZENTRALE NORDRHEINISCHER LANDESBANK GIZENTRALE HAMBURGISCHER LANDESBANK GIZENTRALE LANDESBANK SAAR GIZENTRALE

US \$62,000,000 GUARANTEED BY SACE SUBSIDIZED BY MEDIO CREDITO CENTRALE AND PROVIDED BY BANQUE NATIONALE DE PARIS
CITIBANK S.A. MIDLAND BANK FRANCE S.A. BANQUE DU BENELUX S.A. LAVORO BANK OVERSEAS N.V. (B.N.L. GROUP) MIDLAND BANK FRANCE S.A. BANQUE PARIBAS CREDIT LYONNAIS BIAO-AFRIBANK CREDIT COMMERCIAL DE FRANCE L'EUROPEENNE DE BANQUE MIDLAND BANK TRUST CORPORATION CYPRUS LTD SOCIETE GENERALE BANCA CREDIT ITALIANA OF CANADA UNION DE BANQUES ARABES ET FRANCAISES-UBAF BANCA NAZIONALE DEL LAVORO-ROME BRANCH ITALIAN PAYING AGENT

FB 1,130,000,000 GUARANTEED BY DUCROIRE AND PROVIDED BY BANQUE DU BENELUX
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FINANCIAL ADVISERS TO THE BORROWER
KUHNS LOEB LEHMAN BROTHERS INTERNATIONAL INC MAISON LAZARD ET COMPAGNIE S.G. WARBURG & CO. LTD

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Corporación Nacional del Cobre de Chile

U.S. \$305,000,000
Medium Term Loan

provided by

Bank of America NT & SA The Bank of Tokyo, Ltd.
The Chase Manhattan Bank, N.A. Chemical Bank Commerzbank International
Continental Illinois National Bank and Trust Company of Chicago
Deutsch-Südamerikanische Bank AG. The Industrial Bank of Japan, Limited
Manufacturers Hanover Trust Company Morgan Guaranty Trust Company of New York
Citibank, N.A. Libra Bank Limited Marine Midland Bank, N.A.
The Mitsubishi Trust and Banking Corporation Swiss Bank Corporation
Union Bank of Switzerland Banca Nazionale del Lavoro New York Branch
Banco Cafetero, S.A. (Panama) Bankers Trust Company Irving Trust Company
Mellon Bank The Mitsui Trust and Banking Co., Ltd. National Bank of North America
J. Henry Schroder Bank & Trust Company J. Henry Schroder Wagg & Co. Limited

December, 1982

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U.S. \$200,000,000

GMAC Overseas Finance Corporation N.V.

(Incorporated in the Netherlands Antilles)

10 1/8% NOTES DUE FEBRUARY 1, 1990

Payment of principal and interest unconditionally guaranteed by

GENERAL MOTORS ACCEPTANCE CORPORATION

(Incorporated in the State of New York, U.S.A.)

The following have agreed to subscribe for the Notes:

MORGAN STANLEY INTERNATIONAL

ALGEMENE BANK NEDERLAND N.V.	ANRO INTERNATIONAL Limited
BANK OF AMERICA INTERNATIONAL Limited	BANK BRUSSEL LAMBERT N.V.
BANQUE GENERALE DU LUXEMBOURG S.A.	BANQUE NATIONALE DE PARIS
COMMERZBANK AKTIENGESELLSCHAFT	CONTINENTAL ILLINOIS CAPITAL MARKETS GROUP
CREDIT SUISSE FIRST BOSTON Limited	DEUTSCHE BANK AKTIENGESELLSCHAFT
MANUFACTURERS HANOVER Limited	MERRILL LYNCH INTERNATIONAL & CO.
NOMURA INTERNATIONAL Limited	SALOMON BROTHERS INTERNATIONAL
SOCIETE GENERALE	SWISS BANK CORPORATION INTERNATIONAL Limited
UNION BANK OF SWITZERLAND (SECURITIES) Limited	WOOD GUNDY Limited

The Notes, in the denomination of U.S.\$5,000 issued at 99 per cent., have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Note. Interest is payable annually in arrears on February 1, commencing on February 1, 1984.

Particulars relating to the Notes, are available from Exel Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including February 1, 1983 from the brokers to the issue:

Cazenove & Co.,
12, Tokenhouse Yard,
London
EC2R 7AN.

January 18, 1983

U.S. \$25,000,000

B

Bergen Bank A/S

(Incorporated in the Kingdom of Norway with limited liability)

Floating Rate Capital Notes Due 1991

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest period from 17th January, 1983 to 18th April, 1983 the Notes will carry an interest rate of 9 1/8% per annum and the Coupon Amount per U.S. \$1,000 will be U.S. \$23.07.

Credit Suisse First Boston Limited
Agent Bank.

PRI VREDNA BANKA

ZAGREB

("the Bank")

U.S. \$5,000,000

Floating Rate Notes due 1984

("the Notes")

(a) Credit Lyonnais as Fiscal Agent in respect of the Notes has received payment of U.S.\$5,000,000.
(b) The Bank has advised Credit Lyonnais that interest due and payable in respect of the Notes will be paid to Credit Lyonnais in the shortest time.
(c) A further notice will be published.

CREDIT LYONNAIS

Fiscal Agent

26 A Boulevard Royal

Luxembourg

Kingdom of Sweden

U.S. \$150,000,000 Floating Rate

Notes Due January 1995

For the six months 14th January

1983 to 14th July 1983 the Notes

will carry an interest rate of 9 1/8%

per annum with a Coupon Amount

of U.S.\$11,469.62.

Bankers Trust Company,

London

Fiscal Agent

The Royal Bank

of Scotland plc

U.S.\$75,000,000 Floating

Rate Capital Notes

due 1986 to 1994

For the three month

period January 14th 1983

to April 14th 1983, the

Notes will bear an

interest rate of 9% per

annum. Interest payable

on April 14th 1983.

Bankers Trust Company,

London

Note: Copies of the Annual

Report and Accounts of The

Royal Bank of Scotland plc

and The Royal Bank of

Scotland Group plc can be

obtained from the Bank's

office at 34 Lombard Street,

London EC3V 9BA.

Companies
and Markets

INTL. COMPANIES & FINANCE

Our Johannesburg Correspondent reports on the collapse of a
high-flying take-over specialist

Bubble bursts for Magnum

MAGNUM, once one of South Africa's high-flying take-over groups, has, since its collapse, become the centre of a spreading financial scandal.

At present a judicial inquiry into what is being called the Magnum affair is sitting in camera, several large corporations are embroiled through their lending to the company, and the role of one of the merchant banks involved in its take-over operations is being publicly questioned.

The affair has its origins in late 1981 when Mr Martin Summerley, chairman and key force behind the Magnum group, attempted to raise R5m (\$4.6m) through a public issue of shares by his private carrier Magnum Airlines. The offer was poorly received by investors and withdrawn.

In early 1982 Mr Summerley's master company, Magnum Financial Holdings, sold the airline. At about the same time R4.4m was paid for a 56 per cent share of I. L. Back, a quoted shell company.

Magnum bought I. L. Back at a price equivalent to 8.18 cents per share, a premium of 2 cents per share over the company's net worth. However, few minority shareholders accepted the offer as the shares were then quoted at a much higher level.

Through its I. L. Back purchase Magnum acquired control of R6.3m in liquid assets in exchange for a R4.4m investment. It was also able to use the company as a vehicle to get Magnum Finance and Investment, a subsidiary of the holding company, listed on the stock exchange.

With the cash from I. L. Back plus some regular bank loans Magnum launched a series of

purchases. It also, allegedly, began to receive funds from the South African Bank of Athens (which is controlled by the National Bank of Greece) through the assistance of one of the bank's senior executives who now faces charges of fraudulent handling of its funds.

In quick succession Magnum bought control of a burglar alarm company, the South African assurance business of National Employers General Insurance, a boat-building business, and motor dealer,

(UAL), through advertisements in the national press, that they would receive a share offer comparable with that made to the majority.

South African company law limits the extent to which an acquired company's own funds can be used to pay for its purchase. It is now being alleged that Magnum were attempting to circumvent these provisions in its Javeor operation.

A little later Magnum moved to try to acquire the Group Five Construction company. Magnum bought Group Five shares

and the bank tried to stop payment of its own cheque to Hobbs the issue became public and the creditors began to move in.

The list of creditors is long and according to the liquidators the losses of the Magnum group could total anywhere between R30m and R60m. Major known creditors include transport company Puteo, which is owed R3m and the South African Broadcasting Corporation owed R1m. These and others believe that they have claims against the South African Bank of Athens.

UAL, which is the merchant banking arm of the Nedbank group, faces claims estimated at up to R12m. The bank lent R6.5m to Magnum against a pledge of shares in both Group Five and Northern Free State Motors. There is now a dispute as to whether or not this pledge, made less than six months prior to the group going into liquidation, is covered by the "undue preference" provisions of the companies act and therefore invalid.

Finally several minority shareholders in the now-suspended and bankrupt Javeor are threatening to seek redress from UAL over the failure to make the once-promised bid.

At present the whole Magnum affair is under investigation by a committee set up under South Africa's Companies Act. The proceedings are in camera. However, Mr Summerley and his deputy Mr Derek Pennington have, at the request of the police, surrendered their passports to their attorneys. All of the Magnum group companies are being liquidated with the exception of the life assurance operations which were taken as security for a loan by Rand Merchant Bank.

Once the Magnum group was one of the rising stars of the South African corporate world; now the group has been forced into liquidation. The high life-styles of its directors and plans to sponsor an ocean-going yacht in international events have all had to be abandoned amid a welter of claims and charges of fraudulent dealings

Northern Free State Motors, aggressively in November and December, acquiring a 30 per cent holding at a high price of 350 cents per share.

The takeover bid failed, however, when another purchaser obtained control over a blocking 30 per cent. This ended any plans Magnum may have had to make a rights issue through Group Five and by this means to raise more cash.

By this stage Magnum was critically short of funds. In one final fling one company in the group issued a cheque for R4.5m to South African Bank of Athens. The bank issued its own cheque to stockbrokers A. Hobbs.

Hobbs, whose managing director is on the Magnum board, in turn paid R4.5m to another Magnum company. When the first Magnum cheque bounced

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Nippon Telegraph & Telephone Public Corporation

(Incorporated in Japan)

U.S. \$50,000,000

10 1/8% Guaranteed Notes 1990

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

Japan

The following have agreed to subscribe to the Bonds:

MORGAN GUARANTY LTD

BANK OF TOKYO INTERNATIONAL LIMITED	BANQUE PARIBAS
CREDIT SUISSE FIRST BOSTON LIMITED	DEUTSCHE BANK AKTIENGESELLSCHAFT
DILLON, READ OVERSEAS CORPORATION	IBJ INTERNATIONAL LIMITED
NOMURA INTERNATIONAL LIMITED	SALOMON BROTHERS INTERNATIONAL
SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED	S. G. WARBURG & CO. LTD.

The Notes, issued at 100 per cent. plus accrued interest, in denominations of U.S.\$5,000 have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of a temporary global Note. Interest on the Notes is payable annually in arrears on January 31, commencing January 31, 1984. Particulars of the Notes and the issuer are available in the Exel Statistical Service and may be obtained during usual business hours up to and including January 31, 1983 from:

Cazenove & Co.,
12 Tokenhouse Yard
London EC2R 7AN

Morgan Guaranty Ltd
30 Throgmorton Street
London EC2N 2NT

January 17, 1983

CADO Systems Corporation

has been acquired by

Continental Telecom Inc.

The undersigned initiated this transaction, assisted in the negotiations leading to its conclusion, and acted as financial advisor to CADO Systems Corporation.

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

January 6, 1983

150 من الامم

INTL. COMPANIES and FINANCE

EDF issue goes ahead

BY ALAN FRIEDMAN IN LONDON

ELECTRICITE DE FRANCE, the French utility, yesterday followed last week's flood of \$300m in new dollar bonds with its own \$300m floating rate Eurobond plus warrants, to purchase fixed-interest bonds.

Although the Eurobond market's new issue sector was heavily burdened by last week's paper, and was described by a leading banker last night as "a battlefield with plenty of wounded," Morgan Guaranty decided to go ahead with the \$300m EDF issue anyway.

The new issue matures in 12 years, is priced with interest payable at 4 per cent over the six-month London interbank rate and carries a 5 1/2 per cent minimum coupon.

Investors may redeem the floating rate notes after the seventh and ninth years at par. There are also 150,000 warrants, which enable

noteholders to purchase 10% per cent 1983 bonds during the next 12 months.

Each floating rate note, denominated in \$10,000 sections, carries five warrants. The warrants may be exercised at any time during the next year, but if they are used within six months, investors obtain a discount and may purchase the bonds at 99; otherwise the price will be par.

By last night the warrants were being quoted in the pre-market at between \$17 and \$18 each. The market's reaction to the EDF deal was said to be reasonable, though not enthusiastic.

This is not surprising given the weight of \$300m of new dollar issues from last week. The Eurodollar bond market is catching its breath now in order to reassess matters.

Prices were marked 1/4 to 1/2 point lower yesterday.

In the Euro-Canadian dollar bond market, a new C\$50m issue for SEK, the Swedish export credit organisation, was priced last night by Wood Gundy with a 12 1/2 per cent coupon, below the earlier indicated 12 3/4 per cent level. This deal has sold out quickly, one of the few to do so.

In West Germany, prices were down 1/4 point last night. A DM 100m issue for Spanish Telephones is expected today through Dresdner Bank - the coupon should be higher than 8 per cent.

In Switzerland, Credit Suisse announced a SwFr 150m 10-year 4 1/2 per cent issue for itself. The proceeds will be partly used to repay a SwFr 60m 5 1/2 per cent 1988 issue which the bank is calling back from investors on February 15.

Dutch set up joint bank with Packer

By Lechlan Drummond in Sydney

ALGEMENE BANK Nederland, the largest Dutch bank, has been given the go-ahead by the Australian authorities to set up a jointly owned merchant bank with Mr Kerry Packer's Consolidated Press Holdings.

ABN already has an 18 per cent stake in the Australian European Finance Corporation consortium bank and a representative office. It is to pay an undisclosed amount for 50 per cent of the Packer group's small leasing subsidiary, Alpine Finance, and will jointly lift its issued capital from A\$1.2m to at least A\$10m (\$10.1m).

The new operation, to be named ABN Australian, has been under consideration by the Australian foreign investment authorities for some time. The new bank intends to operate in the domestic money market operations, as well as in offshore and local corporate lending and foreign exchange hedging.

Profits improve at DG Bank

By Stewart Fleming in Frankfurt

FALLING INTEREST rates have contributed to a significant improvement in the profitability of the DG Bank, the central banking institution of the West German co-operative banking movement.

The bank has announced that it is planning to increase its equity capital by DM 200m (\$85.1m) and that it will resume dividend payments to its owners, the co-operative banks, at a rate of 5 per cent. In addition it will add DM 70m to its open reserves compared with DM 40m last year.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for January 17.

U.S. DOLLAR				New Zealand \$/S 87		155: 1877/ 1884/ +1/4 -1/4	
STRAIGHTS				World Bank \$/S 82		201: 1884/ 1890/ +0/4 +0/4	
Amstar 15 1/2 87						at prices changed on 10-10-88, on week +0.22	
Issued	Bid	Offer	Change	Yield			
150 <td>1107 1/2</td> <td>1111 1/2</td> <td>+0/4</td> <td>11.00</td> <td></td> <td></td> <td></td>	1107 1/2	1111 1/2	+0/4	11.00			
175	1089 1/4	1108 1/4	+0/4	11.00			
200	1080 1/4	1100 1/4	+0/4	11.00			
225	1071 1/4	1091 1/4	+0/4	11.00			
250	1062 1/4	1082 1/4	+0/4	11.00			
275	1053 1/4	1073 1/4	+0/4	11.00			
300	1044 1/4	1064 1/4	+0/4	11.00			
325	1035 1/4	1055 1/4	+0/4	11.00			
350	1026 1/4	1046 1/4	+0/4	11.00			
375	1017 1/4	1037 1/4	+0/4	11.00			
400	1008 1/4	1028 1/4	+0/4	11.00			
425	999 1/4	1019 1/4	+0/4	11.00			
450	990 1/4	1010 1/4	+0/4	11.00			
475	981 1/4	1001 1/4	+0/4	11.00			
500	972 1/4	992 1/4	+0/4	11.00			
525	963 1/4	983 1/4	+0/4	11.00			
550	954 1/4	974 1/4	+0/4	11.00			
575	945 1/4	965 1/4	+0/4	11.00			
600	936 1/4	956 1/4	+0/4	11.00			
625	927 1/4	947 1/4	+0/4	11.00			
650	918 1/4	938 1/4	+0/4	11.00			
675	909 1/4	929 1/4	+0/4	11.00			
700	900 1/4	920 1/4	+0/4	11.00			
725	891 1/4	911 1/4	+0/4	11.00			
750	882 1/4	902 1/4	+0/4	11.00			
775	873 1/4	893 1/4	+0/4	11.00			
800	864 1/4	884 1/4	+0/4	11.00			
825	855 1/4	875 1/4	+0/4	11.00			
850	846 1/4	866 1/4	+0/4	11.00			
875	837 1/4	857 1/4	+0/4	11.00			
900	828 1/4	848 1/4	+0/4	11.00			
925	819 1/4	839 1/4	+0/4	11.00			
950	810 1/4	830 1/4	+0/4	11.00			
975	801 1/4	821 1/4	+0/4	11.00			
1000	792 1/4	812 1/4	+0/4	11.00			
1025	783 1/4	803 1/4	+0/4	11.00			
1050	774 1/4	794 1/4	+0/4	11.00			
1075	765 1/4	785 1/4	+0/4	11.00			
1100	756 1/4	776 1/4	+0/4	11.00			
1125	747 1/4	767 1/4	+0/4	11.00			
1150	738 1/4	758 1/4	+0/4	11.00			
1175	729 1/4	749 1/4	+0/4	11.00			
1200	720 1/4	740 1/4	+0/4	11.00			
1225	711 1/4	731 1/4	+0/4	11.00			
1250	702 1/4	722 1/4	+0/4	11.00			
1275	693 1/4	713 1/4	+0/4	11.00			
1300	684 1/4	704 1/4	+0/4	11.00			
1325	675 1/4	695 1/4	+0/4	11.00			
1350	666 1/4	686 1/4	+0/4	11.00			
1375	657 1/4	677 1/4	+0/4	11.00			
1400	648 1/4	668 1/4	+0/4	11.00			
1425	639 1/4	659 1/4	+0/4	11.00			
1450	630 1/4	650 1/4	+0/4	11.00			
1475	621 1/4	641 1/4	+0/4	11.00			
1500	612 1/4	632 1/4	+0/4	11.00			
1525	603 1/4	623 1/4	+0/4	11.00			
1550	594 1/4	614 1/4	+0/4	11.00			
1575	585 1/4	605 1/4	+0/4	11.00			
1600	576 1/4	596 1/4	+0/4	11.00			
1625	567 1/4	587 1/4	+0/4	11.00			
1650	558 1/4	578 1/4	+0/4	11.00			
1675	549 1/4	569 1/4	+0/4	11.00			
1700	540 1/4	560 1/4	+0/4	11.00			
1725	531 1/4	551 1/4	+0/4	11.00			
1750	522 1/4	542 1/4	+0/4	11.00			
1775	513 1/4	533 1/4	+0/4	11.00			
1800	504 1/4	524 1/4	+0/4	11.00			
1825	495 1/4	515 1/4	+0/4	11.00			
1850	486 1/4	506 1/4	+0/4	11.00			
1875	477 1/4	497 1/4	+0/4	11.00			
1900	468 1/4	488 1/4	+0/4	11.00			
1925	459 1/4	479 1/4	+0/4	11.00			
1950	450 1/4	470 1/4	+0/4	11.00			
1975	441 1/4	461 1/4	+0/4	11.00			
2000	432 1/4	452 1/4	+0/4	11.00			
2025	423 1/4	443 1/4	+0/4	11.00			
2050	414 1/4	434 1/4	+0/4	11.00			
2075	405 1/4	425 1/4	+0/4	11.00			
2100	396 1/4	416 1/4	+0/4	11.00			
2125	387 1/4	407 1/4	+0/4	11.00			
2150	378 1/4	398 1/4	+0/4	11.00			
2175	369 1/4	389 1/4	+0/4	11.00			
2200	360 1/4	380 1/4	+0/4	11.00			
2225	351 1/4	371 1/4	+0/4	11.00			
2250	342 1/4	362 1/4	+0/4	11.00			
2275	333 1/4	353 1/4	+0/4	11.00			
2300	324 1/4	344 1/4	+0/4	11.00			
2325	315 1/4	335 1/4	+0/4	11.00			
2350	306 1/4	326 1/4	+0/4	11.00			
2375	297 1/4	317 1/4	+0/4	11.00			
2400	288 1/4	308 1/4	+0/4	11.00			
2425	279 1/4	299 1/4	+0/4	11.00			
2450	270 1/4	290 1/4	+0/4	11.00			
2475	261 1/4	281 1/4	+0/4	11.00			
2500	252 1/4	272 1/4	+0/4	11.00			
2525	243 1/4	263 1/4	+0/4	11.00			
2550	234 1/4	254 1/4	+0/4	11.00			
2575	225 1/4	245 1/4	+0/4	11.00			
2600	216 1/4	236 1/4	+0/4	11.00			
2625	207 1/4	227 1/4	+0/4	11.00			
2650	198 1/4	218 1/4	+0/4	11.00			
2675	189 1/4	209 1/4	+0/4	11.00			
2700	180 1/4	200 1/4	+0/4	11.00			
2725	171 1/4	191 1/4	+0/4	11.00			
2750	162 1/4	182 1/4	+0/4	11.00			
2775	153 1/4	173 1/4	+0/4	11.00			
2800	144 1/4	164 1/4	+0/4	11.00			
2825	135 1/4	155 1/4	+0/4	11.00			
2850	126 1/4	146 1/4	+0/4	11.00			
2875	117 1/4	137 1/4	+0/4	11.00			
2900	108 1/4	128 1/4	+0/4	11.00			
2925	99 1/4	119 1/4	+0/4	11.00			
2950	90 1/4	110 1/4	+0/4	11.00			
2975	81 1/4	101 1/4	+0/4	11.00			
3000	72 1/4	92 1/4	+0/4	11.00			
3025	63 1/4	83 1/4	+0/4	11.00			
3050	54 1/4	74 1/4	+0/4	11.00			
3075	45 1/4	65 1/4	+0/4	11.00			
3100	36 1/4	56 1/4	+0/4	11.00			
3125	27 1/4	47 1/4	+0/4	11.00			
3150	18 1/4	38 1/4	+0/4	11.00			
3175	9 1/4	29 1/4	+0/4	11.00			
3200	0 1/4	20 1/4	+0/4	11.00			
3225	-9 1/4	11 1/4	+0/4	11.00			
3250	-18 1/4	2 1/4	+0/4	11.00			
3275	-27 1/4	-3 1/4	+0/4	11.00			
3300	-36 1/4	-12 1/4	+0/4	11.00			
3325	-45 1/4	-21 1/4	+0/4	11.00			
3350	-54 1/4	-30 1/4	+0/4	11.00			
3375	-63 1/4	-39 1/4	+0/4	11.00			
3400	-72 1/4	-48 1/4	+0/4	11.00			
3425	-81 1/4	-57 1/4	+0/4	11.00			
3450	-90 1/4	-66 1/4	+0/4	11.00			
3475	-99 1/4	-75 1/4	+0/4	11.00			
3500	-108 1/4	-84 1/4	+0/4	11.00			
3525	-117 1/4	-93 1/4	+0/4	11.00			
3550	-126 1/4	-102 1/4	+0/4	11.00			
3575	-135 1/4	-111 1/4	+0/4	11.00			
3600	-144 1/4	-120 1/4	+0/4	11.00			
3625	-153 1/4	-129 1/4	+0/4	11.00			
3650	-162 1/4	-138 1/4	+0/4	11.00			
3675	-171 1/4	-147 1/4	+0/4	11.00			
3700	-180 1/4	-156 1/4	+0/4	11.00			
3725	-189 1/4	-165 1/4	+0/4	11.00			
3750	-198 1/4	-174 1/4	+0/4	11.00			
3775	-207 1/4	-183 1/4	+0/4	11.00			
3800	-216 1/4	-192 1/4	+0/4	11.00			
3825	-225 1/4	-201 1/4	+0/4	11.00			
3850	-234 1/4	-210 1/4	+0/4	11.00			
3875	-243 1/4	-219 1/4	+0/4	11.00			
3900	-252 1/4	-228 1/4	+0/4	11.00			
3925	-261 1/4	-237 1/4	+0/4	11.00			
3950	-270 1/4	-246 1/4	+0/4	11.00			
3975	-279 1/4	-255 1/4	+0/4	11.00			
4000	-288 1/4	-264 1/4	+0/4	11.00			
4025	-297 1/4	-273 1/4	+0/4	11.00			
4050	-306 1/4	-282 1/4	+0/4	11.00			
4075	-315 1/4	-291 1/4	+0/4	11.00			
4100	-324 1/4	-300 1/4	+0/4	11.00			
4125	-333 1/4	-309 1/4	+0/4	11.00			
4150	-342 1/4	-318 1/4	+0/4	11.00			
4175	-351 1/4	-327 1/4	+0/4	11.00			
4200	-360 1/4	-336 1/4	+0/4	11.00			
4225	-369 1/4	-345 1/4	+0/4	11.00			
4250	-378 1/4	-354 1/4	+0/4	11.00			
4275	-387 1/4	-363 1/4	+0/4	11.00			
4300	-396 1/4	-372 1/4	+0/4	11.00			
4325	-405 1/4	-381 1/4	+0/4	11.00			
4350	-414 1/4	-390 1/4	+0/4	11.00			
4375	-423 1/4	-399 1/4	+0/4	11.00			
4400	-432 1/4	-408 1/4	+0/4	11.00			
4425	-441 1/4	-417 1/4	+0/4	11.00			
4450	-450 1/4	-426 1/4	+0/4	11.00			
4475	-459 1/4	-435 1/4	+0/4	11.00			
4500	-468 1/4	-444 1/4	+0/4	11.00			
4525	-477 1/4	-453 1/4	+0/4	11.00			
4550	-486 1/4	-462 1/4	+0/4	11.00			
4575	-495 1/4	-471 1/4	+0/4	11.00			
4600	-504 1/4	-480 1/4	+0/4	11.00			
4625	-513 1/4	-489 1/4	+0/4	11.00			
4650	-522 1/4	-498 1/4	+0/4	11.00			
4675	-531 1/4	-507 1/4	+0/4	11.00			
4700</							

Durban Deep's good quarter

BY KENNETH MARSTON, MINING EDITOR

THE VETERAN Durban Deep mine, which started producing gold in 1898, has achieved the best performance of the Rand Mines group gold producers in the December quarter of last year. Net profits have jumped 43 per cent after a repayment of State aid; the mine was a net recipient of assistance in the previous three months.

A major factor helping Durban Deep has been the higher than average gold price received in the latest quarter compared with a lower than average price in the September quarter.

But the exchange rate disadvantage to South African mines of the recovery in the value of the rand against the U.S. dollar (in which the U.S. dollar is valued at 1.50) is illustrated by the fact that while Durban Deep's average rand price received rose by 17.5 per cent in the quarter, the dollar equivalent gained 20.4 per cent.

In line with other mines in the group Durban Deep's ore tonnage milled reflected a shorter working period of 88 days against 91 days in the previous three months. However, the effects of this on production were offset by a rise in the gold grade of ore milled.

The younger Harmony gold and uranium producer has also done well in the past quarter with the help of a higher gold price, a small increase in gold grade and lower total costs. In

view of the better gold price it has been decided to resume sinking of the No. 4A ventilation shaft.

Myvor and marginal East Rand Proprietary, which is still a claimant of State assistance, have also raised profits in the past quarter, the latter having done so in the face of a fall in production which was aggravated by plant breakdowns.

Latest quarterly net profits of the individual mines, compared in the following table, are after the inclusion of generally modest gains arising from gold hedging transactions.

A comment on the near term market for coal comes from the group's Witbank Colliery which explains that a fall in December quarter net profits to R21.5m (£12.8m) from R33.7m in the previous three months reflects a weakening of both the South African and the export markets. Similarly, Wedgedale Exploration says that coal customers with long term contracts are requesting deferments of some of the tonnage scheduled for delivery this year. In addition lower export prices have had to be accepted for 1983 because of excess supplies in Europe.

Philippines aid scheme six months extension

THE STATE-OWNED National Development Company (NDC) of the Philippines is now willing to extend for a further six months the subsidy programme for the country's copper producers, reports Lee Gonzaga in Manila.

The scheme, set up last summer when the copper price was below 80 U.S. cents (\$80) per pound, expired on December 31. However, several of the producers apparently want an extension for only a further three months, as world copper prices have now moved above 70 cents a pound, and seem set to go higher.

Under the terms of the aid programme, the state agency effectively guarantees a minimum price of 75 cents, compensating the producers for any shortfall.

Under the terms of the aid programme, the state agency effectively guarantees a minimum price of 75 cents, compensating the producers for any shortfall.

International round-up

AUSTRALIA'S CSR, the natural resources, sugar and building products group, has raised A\$46m (£22m) through the placement of 15m shares with local and overseas institutions. The group said the funds would be used to finance planned capital investment and to acquire income-producing assets, and it seems likely that some of the money will go towards meeting CSR's A\$22m share of the A\$27.5m development costs of the Paringa gold operation.

CSR holds 80 per cent of a joint venture to develop this prospect, with the remainder in the hands of the London-registered Hampton Gold Mining Areas.

A new copper mine has come into production in the north-east of Belgrade, the Yugoslav capital. It is about 100 miles south-east of Belgrade, the Yugoslav capital.

The mine is expected to produce about 5m tonnes of ore a year, containing 24,000 tonnes of copper, 54,500 tonnes of iron ore, 500 kilograms of gold, plus some silver, platinum, molybdenum and nickel, reports Aleksandar Lebl in Belgrade.

South American subsidiaries of two U.S. companies have esti-

ated reserves of a huge copper discovery in northern Chile, at 352m tonnes of ore, grading an average of 1.92 per cent copper.

Exploration of the Escondido project is being financed equally by the two partners, Minera Utah, part of the Utah International group, which is in turn a subsidiary of General Electric, and Getty Mining (Chile), part of the Getty Oil group.

The deposit, about 100 miles south-east of the port of Antofagasta, is reported to be suitable for open-pit mining. Drilling is continuing, and a decision on the feasibility of development of the project is expected next year.

Cullinan Lake Gold Mines has put its property in Canada Northwest Territories into commercial production at a rate of 300 tons of ore a day.

The company is now concentrating its attention on its mine operations and the development of additional slopes to increase output.

In addition, an exploration programme is in progress to define further ore reserves. These are currently estimated at about 200,000 tons grading an average of 0.5 ounces (15.6 grammes) of gold per ton.

Westminster Press sells its BPM interest

Westminster Press, the regional newspaper group, has sold its minority stake in BPM Holdings, publishers of the Birmingham Post and Mail, to the controlling Liffie family in a deal worth £3.05m.

This has increased the Liffie family and family trust holding in BPM's voting shares from 52.7 per cent to 61.3 per cent of the voting capital.

Taking into account "B" non-voting shares the Liffie family and trusts hold 61.2 per cent of the total share capital compared with 33.5 per cent previously.

Yattondon Investment Trust, an investment company controlled by the Liffie family settlements, has bought 135,500 "A" ordinary shares of 25p each and 3,500 "B" non-voting shares of 25p at an average price of 67.4p for both categories. It has also bought 200,000 unlisted ordinary £1 shares for £2.05.

Mr Robert Liffie, chairman of BPM, has bought a further 50,000 ordinary £1 shares from Westminster Press.

The Liffie family and family trusts, including Yattondon and Mr Liffie, hold 630,000 ordinary shares and 728,040 "A" ordinary shares as a result of these transactions.

Westminster Press, a subsidiary of S. Pearson and Son, will use the proceeds of the sale to develop its wholly-owned newspaper interests. It no longer has any interest in the share capital of BPM.

ROWAN & BODEN

Acceptances of the offers by G. M. Firth for Rowan & Boden to acquire all the ordinary shares not already owned by Firth have been received for 2.17m ordinary shares (53.6 per cent). This includes the 2.13m ordinary shares (52.6 per cent) for which Nobval undertook irrevocably to accept the offers.

Offers have become unconditional as to acceptances. Apart from 1,01m ordinary shares (25 per cent) agreed to be acquired on December 17 1982 no ordinary were held by Firth before the offer period. Total ordinary to date represents 73.6 per cent.

The offers which are still conditional in certain respects (include the passing of an ordinary resolution to approve the offers at the EGM of Firth on February 18 1983) will remain open for acceptance until further notice.

R. GREEN

C. H. Beazer (Holdings) have acquired a further 180,000 shares in R. Green Property and Development, a subsidiary of Bonar, for a total of 880,000 shares, 7.05 per cent of the ordinary capital.

Lower level of activity expected at Westland

ACTIVITY in the factories of Westland, Britain's only helicopter manufacturer, is going to be at a lower level than seemed likely three or so years ago, says Lord Aldington, chairman, in his annual statement.

But, he adds, when world demand does pick up, the markets for helicopters in all their roles will be at least as large as seen two or three years ago—and may be larger.

He says the company is in a fortunate position that it is in

the process of developing two types of new helicopters, the Westland 30 and the larger EH101, which will be available and highly competitive as the age says Lord Aldington.

As known, group pre-tax profits fell from £27.35m to £23.91m in the year to September 30 1982. At the year-end, net assets were £85.2m against £83.3m. Net current assets amounted to £76.51m, compared with £72.72m, and shareholders' funds stood at £123.66m (£114.94m).

Those shares not taken up have been sold in the market and the net proceeds of approximately 7.8p per share will be paid to the entitled shareholders.

Bid to remove four Candecca directors

The requisitionists seeking to redress the balance of control on the board of Candecca Resources, the onshore exploration group, can mark down March 15 as the date when the boardroom battle with the representatives of Scopre Resources will be decided.

Advised by Lazard Brothers and Panmure Gordon, the stock-broking firm, institutional holders of about 14 per cent of Candecca's shares lodged notices with Candecca late last month convening an extraordinary meeting to consider substantial changes in the composition of the board.

The resolution is being supported by four Candecca directors led by Mr David Hooker, the managing director until his recent unexplained demotion by Scopre representatives. Mr Hooker, generally credited with the group's growth, is backed by Mr Randle Fielden, a director of Lazard's. Mr John Shaw Stewart, chairman of Stewart Fund Managers and Mr James Talbot.

If successful, the resolution would remove Mr Peter Carter, the Scopre representative who replaced Mr Hooker, as managing director. Mr James Palmer, Mr Richard Gussella and Mr A. A. Mackenzie.

Rank Organisation builds up its U.S. Telecom stake

BY CHARLES BATCHELOR

THE Rank Organisation is to increase its holding in the fast-growing U.S. telephone systems group Telecom Plus International to 28 per cent with an option to buy a further 4 per cent.

Rank's fully-owned U.S. subsidiary, Rank Industries America (RIA), has bought \$15m (£9.47m) worth of unsecured interest-free notes issued by New York-based Telecom maturing 364 days from the date of issue.

The purchase agreement provides for the mandatory conversion of the notes into common shares at maturity unless they are converted before then. The average conversion price will be

about \$20.50, compared with the recent market price of the stock of \$27.50, Rank said. The transaction requires the approval of the U.S. authorities.

Rank originally bought a 21 per cent stake in Telecom—then known as Telecom Equipment Corporation—in December 1981 for \$9.14m with an option to buy a further 4 per cent over the next three years.

That option is not affected by the latest note purchase and gives Rank the right to raise its holding to 32 per cent, Rank said.

Telecom recorded a 56 per cent increase in third 1982 quarter sales while net earnings rose 80 per cent. Sales in the nine months ended September rose 53 per cent to \$45m while net earnings rose 94 per cent to \$3.3m. Earnings per share rose from 40 to 82 cents.

RIA is the largest shareholder in Telecom while Nippon Electric Company, which is also a supplier of equipment, holds 7.5 per cent.

"We have great confidence in this company," Rank says. "It has developed at remarkable speed over the last three years."

It currently has 19,000 customers in 20 states and recently signed a \$12m contract to supply equipment to IBM, it added.

London Brick extends offer for Istock

London Brick's (£LB), £28.4m bid for Istock, the brick makers Istock Johnson has been accepted by the holders of 4.26m shares or 14.9 per cent of the company.

The £LB offer was topped last Thursday by a £24.1m bid from Redland.

Yesterday London Brick said it was extending its offer by three weeks to February 7.

The Trade Secretary, Lord Cockfield, has yet to decide whether to refer the LB bid to the Monopolies and Mergers Commission and whether to include the Redland offer in any inquiry. The Redland bid is expected to delay a decision.

Merchant banker Morgan Grenfell, adviser to LB, said the offer had gained acceptances from more than half of the shareholders by number.

The alternative cash offer, which was accepted by holders of 119,092 shares, has now closed. Shareholders approved the necessary resolution in connection with the merger at an extraordinary meeting yesterday.

London Brick's board said it was awaiting the formal offer document from Redland and it did not intend to make any further announcement until the Office of Fair Trading had indicated what action it would take on a referral.

LOW & BONAR

The goodwill, designs and certain other assets of Bonar Hugh Smith, a subsidiary of Low & Bonar, have been sold to R. Green Property and Development, a subsidiary of Bonar, for a total of 880,000 shares, 7.05 per cent of the ordinary capital.

Alco Standard in £3.2m agreed bid for H. Sykes

BY DAVID DODWELL

Alco Standard Corp of the U.S. has made an agreed £3.2m cash bid for Henry Sykes, the south London pump manufacturer.

Deals in Sykes' shares were suspended last Thursday, at 25p. The Alco is offering 37p for every ordinary Sykes share—1p higher than the company's peak price in 1982. Alco Standard has set up a new company, Alco UK, to make the bid.

Alco Standard employs 16,000 people in the U.S. from a headquarters in Valley Forge, Pennsylvania. It is engaged in three major sectors of industry—distribution, manufacturing and resources. It has a market capitalisation of over \$600m, and pre-tax profits in the year to September 30 1982 amounted to \$105m on turnover of \$2.8bn.

Mr Paul O'Neill, a non-executive member of Alco Standard, said in London yesterday that the company had no intention of interfering in the management policies of Sykes.

The existing management team will be maintained, he said, and the rights of all employees "will be fully safeguarded."

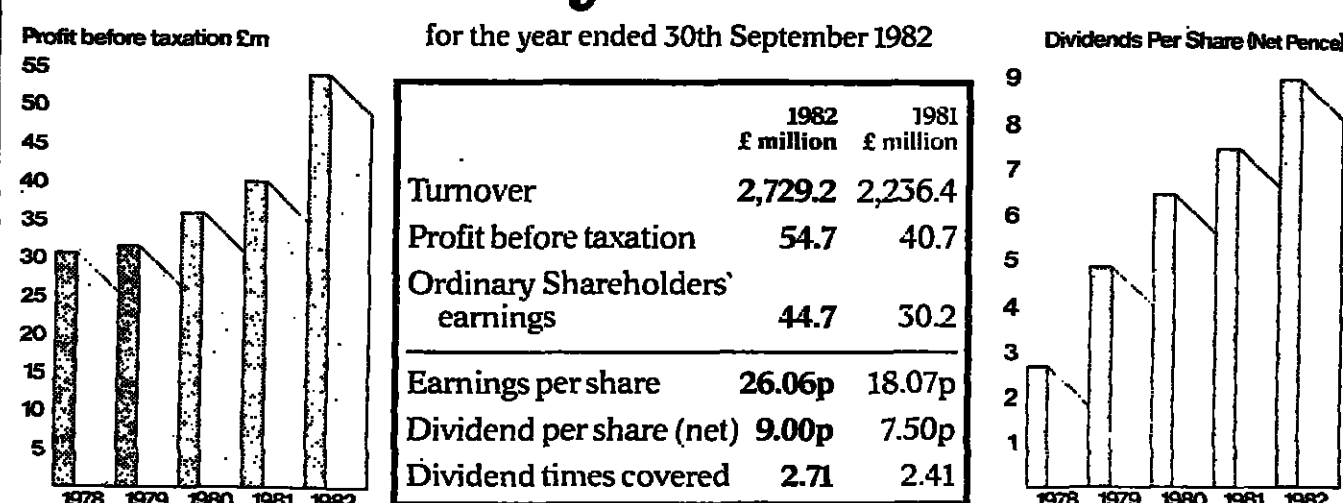
Sykes has been making losses for the past two years as its UK business has been particularly hard hit by the recession. But following major reorganisation which has included the sale of a U.S. subsidiary for about \$750,000, and the closure of Sykes' Harlow plant, the workforce has been cut from 800 to 600 and losses reduced.

In the six months to September 26 1982, losses before tax were £137,000, compared with £762,000 a year earlier—a profit of £625,000.

S&W Berisford PLC

An international group of companies principally involved in the merchandising, processing and distribution of key raw materials.

Preliminary Announcement



*The enlarged Berisford Group has made a record pre-tax profit of £54.7m, an increase of 34.4%. At the trading level, profits were £65.4m compared to £47.1m last year.

*The performance of all our businesses continued to be influenced by the worldwide recession.

*In Commodity Merchandising the contribution to Group trading profit increased to £40.4m, representing a considerable achievement in a difficult year.

*In General Merchandising and Processing, most companies suffered from particularly difficult trading conditions and overall these businesses made a reduced contribution.

S. & W. Berisford PLC, Berisford House, 50, Mark Lane, London EC3R 7QJ
The Annual Report and Accounts will be posted to shareholders on 16th February 1983

SGB GROUP

UK AND EUROPE SUFFER FROM CONTINUING RECESSION ELSEWHERE PROFITS ADVANCE

Final dividend maintained

Preliminary Announcement
Year ended 25th September 1982

	1982 £'000	1981 £'000
Group Turnover	153,639	139,235
Group Profit before Tax	11,377	12,515
Group Profit after Tax and Minorities	5,955	6,449
Shareholders' Funds	73,518	63,946
Earnings per Share	14.4p	15.7p

At home and in Europe, construction related hire activities suffered from a continuing surplus of equipment, occasioned by the deep and prolonged recession.

Elsewhere abroad profits advanced from previous record levels.

Dividend. At the annual general meeting to be held on 22nd March, 1983, a final dividend of 3.3p per share will be recommended, resulting in a total dividend of 5.6p for the year.

The full Report and Accounts will be posted to shareholders on Thursday, 10th February, 1983.

SGB GROUP plc,
Mitcham, Surrey CR4 4TQ

Moët-Hennessy

CAPITAL INCREASE

At its meeting of 4th January 1983 the Board of Management confirmed its decision of 25th November 1982 to increase the company capital by an issue of shares against cash payment and fixed the terms for the increase.

The effect of the increase will be to raise the capital of the Company from FF214,704,650 to FF241,542,700 by the issue of 536,761 shares of a nominal value of FF50 each at a price of FF550 to existing shareholders on the basis of one new share for eight old ones. The shares issued will rank for dividend for the year 1983 and subscription will take place between 17th January and 17th February 1983.

The purpose of the issue is to consolidate the Group's financial situation and thus give it the necessary flexibility in its strategy. It will also provide finance for diversification investment already carried out (acquisition of a 34% interest in the Delbard Group and of the entire equity of Armstrong Nurseries Inc.) and also the exceptional champagne vintage of 1982.

Svenska Handelsbanken

(Incorporated in the Kingdom of Sweden with limited liability)

U.S. \$35,000,000 Floating Rate Notes due 1987

(subordinated as to payment of principal and interest)

In accordance with the terms and conditions of the above mentioned notes, notice is hereby given that the rate of interest for the six months from 17th January 1983 to 18th July 1983 has been fixed at 9.5% per annum and the amount payable on coupon No. 6 will be US\$47.08

Agent Bank
Nordic Bank PLC

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It is emphasized that no application has been made for the Ordinary shares of the Company to be admitted to listing.

SOUTHWEST RESOURCES plc

(formerly known as Burma Mines plc)

(Incorporated under the Companies Act 1948 Registered in England No. 490212)

SHARE CAPITAL	
Authorised	Issued and to be issued fully paid
£12,500,000	£9,821,669
Ordinary shares of 10p each	

The Council of The Stock Exchange has granted permission to deal in the Unlisted Securities Market on The Stock Exchange in the whole of the issued and to be issued ordinary share capital of the Company.

Particulars relating to the Company are contained in the Extra Unlisted Securities Market Service and copies may also be obtained during normal business hours on any weekday (except Saturdays) up to and including Tuesday, 1st February, 1983, from:

Carolina Bank Limited,
14A Austin Friars,
London EC2N 2EH.

Kemp, Mitchell & Co.,
62-64 Moorgate,
London EC2R 6EL.

Companies and Markets

Copper prices surge ahead

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES surged ahead again on the London Metal Exchange yesterday to the highest level for 17 months, as the rise in gold and other precious metals brought renewed speculative buying. The high-grade cash price closed \$23.5 up at \$1,023.5 a tonne, while the three months quotation was \$23.6 up at \$1,024.5.

The upward trend was encouraged by the firm close in the New York market on Friday evening, and the move by U.S. producers to raise their domestic copper selling prices. Asarco yesterday lifted its price twice, by 1 cent each time, from 77.5 to 79.5 cents a lb. Kennecott went up in one single move from 78 to 80 cents.

However, traders said that there was considerable nervousness at the higher levels. All the buying is coming from speculative sources and so far there is little sign of any increase in consumer demand.

Copper stocks held in the LME warehouses, for example, rose again last week by 5,460 tonnes, taking total holdings up to 266,050 tonnes.

There were stock increases too for lead, up by 875 to 130,875 tonnes; zinc by 1,125 to 122,750 (reversing the recent decline); nickel by 690 to 7,662; and aluminium by 25 to 258,750 tonnes. Tin stocks fell by 575 to 52,950 tonnes and LME silver holdings declined by 250,000 to 35,840,000 ozs.

Silver prices moved ahead. The London bullion spot quotation rose by 35.85p to 816.40p an ounce at the morning fixing and this level was maintained in afternoon dealings.

Free market platinum reached a new peak. The sterling quotation increased by \$4.75 to \$301.5 an ounce. The dollar equivalent was up by \$1.023 to \$479.25 reflecting the stronger tone in sterling against the dollar.

London traders said there had been little or no reaction to Rustenburg's announcement on Friday, apparently abandoning its previous price system, since it is far from clear yet exactly what the company has in mind.

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Malaysia encourages investment in teak

By Wong Sukong in Kuala Lumpur

THE Malaysian Government is encouraging farmers to grow teak trees as part of its agricultural diversification programme.

Paul Leong, Primary Industries Minister, sees teak as a valuable investment for rural areas. However, the 30-year maturing period means teak is unlikely to be a major timber export in the immediate future.

Farmers in the northern states of Kedah and Perlis are being urged to set aside an acre for teak cultivation. Kedah state government says it is prepared to set aside 5,000 acres for a forest, while federal authorities plan to establish a teak research station and nursery.

CALCUTTA'S tea auctions are likely to resume soon, now that warehouse workers have called off their strike.

CHINA is likely to import less cotton as a result of its record 1982 crop of 3.3m tonnes, says the U.S. Agriculture Department's Hong Kong office.

THAI exports of maize, tapioca products and natural rubber will increase this year, says Commerce Minister Pannumee Pumsri. But he says rice exports will be lower than last year's record 3.7m tonnes.

POLAND is heading for record sugar production from the 1982 beet crop. The official news agency PAP says 1.64m tonnes of sugar has already been produced.

GRAIN production in the Soviet republic of Mongolia is expected to reach at least 600,000 tonnes this year, according to the East Bloc Agricultural Newsletter.

Disease jars Danish farmers' optimism

Hilary Barnes considers the implications of the new foot and mouth outbreak

DENMARK'S LATEST outbreak of foot and mouth disease is so far limited to only one case — but it has hit farmers who were starting to look forward to better times after three years of recession.

How seriously it will dent their returning optimism remains to be seen.

The immediate consequence of the outbreak is that a series of overseas markets, of which the Japanese market for pigmeat is by far the most important, will not be re-opened to Danish exports for at least another year.

The agricultural organisations had hoped that the Japanese and American markets would be re-opened this spring, following last year's foot and mouth outbreak, which lasted from mid-March to the beginning of May.

The price of the financial losses arising from the spring outbreak, when 22 farms were affected and more than 4,000

pigs and cattle destroyed, cannot be accurately assessed. The value of pigmeat exports, the export product most seriously affected, actually increased by about 9 per cent last year, but the comparison is with a year in which prices for much of the time were exceptionally low.

Without the disease, exports would probably have done very much better. The tonnage of pigmeat exports was virtually unchanged at about 470,000 tonnes in all.

Exports to the lucrative Japanese market slumped from 73,000 tonnes in 1981 to about 15,000 tonnes last year, but the loss of exports to this and other overseas markets were compensated by increases in exports to continental markets, especially Germany, Italy and France. Canned meat exports also rose considerably.

approach to improve protection for the livestock.

This followed Professor Gower's report on the City, which included recommendations for improved controls of commodity speculation.

The price objective of the joint executive committee is to formulate some kind of scheme that will give extra protection on a self-regulatory basis and avoid the creation of a Government-sponsored organisation, such as the Commodities Futures Trading Commission in the U.S.

But it is acknowledged that the exchanges can really only react to market members and not the companies who deal through the members.

THE IRISH Livestock Board plans to market Irish beef in Britain, under a brand name for the first time. It hopes to emulate the success of Kerrygold butter and it is thought that the beef will be sold under the trade name Emerald.

Details are expected to be announced at next month's international food exhibition in London. Until then, the board is not commenting on its campaign or anticipating market shares.

Although Irish meat exports last year were worth more than £200m, a considerable proportion was in the form of live animals, and little of the rest

is sold as identifiable Irish produce.

The hope is that the new scheme will increase sales and attract premium prices, perhaps paving the way to more processing of Irish beef, which has been identified as a weakness in the industry.

The main problem is assessing the reaction of the British customer to Irish meat.

Research suggests that the image is more favourable on the continent but opening up retail markets in Europe would cost millions of pounds and would be more difficult than persuading traditional UK outlets to carry the Emerald brand.

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Surpluses likely to hold down wheat price

By Our Commodities Staff
EXCESS PRODUCTION will keep prices for edible commodities under pressure in the coming year, the Economist Intelligence Unit forecasts in a report published today.

Wheat stocks held in the main exporting countries are expected to rise from 51m to 64m tonnes during the season, in spite of another poor harvest in the Soviet Union and an Australian harvest halved by drought.

The report's authors argue, therefore, that "there is little chance that wheat prices will rise from their current very low levels in the first half of 1983".

Any price rises in the run up to the 1983-84 season will depend on the success of U.S. crops and on the lower level of the 1983 crop, and crop failure elsewhere, they add. In any case, the high level of U.S. stocks at up to 55m bags will put a low limit on wheat price rises, the report says.

It puts the 1983-83 world maize crop at a record 447m tonnes, and U.S. end-season stocks at up to 55m bags. "Only drought or altogether unexpected acreage reductions will cut that surplus before the start of 1984, and prices are likely to be substantially in the lower half of the \$90-\$120 a tonne range."

The report says the International Coffee Organisation has a fair chance of keeping prices within its "modest" 120-140 cents a pound objective. But producer stocks are likely to continue rising as "a slight export glut in the global market will still leave it ahead of very slowly rising consumption."

Sugar production in 1983 is expected to fall about 4 per cent, but stocks are still expected to rise. World Commodity Outlook 1983—Food, Feedstuffs and Beverages, £45.

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PRICE CHANGES

In tonnes unless stated otherwise	Jan. 13, 1983	+ or -	Month ago	Jan. 13, 1983	+ or -	Month ago
Aluminium	\$810.815		\$810.815			
Alumina wet	\$180/110	±	187/105			
Copper	\$23.5	+7¢	\$20.5			
3 mths	\$12,054.75	-5¢	\$25.5			
5 mths	\$12,054.75	-5¢	\$25.5			
3 mths	\$1,012.75	+25¢	\$20.25			
5 mths	\$1,012.75	+25¢	\$20.25			
Lead	\$203.5	-2¢	\$27.75			
3 mths	\$203.5	-2¢	\$27.75			
5 mths	\$203.5	-2¢	\$27.75			
Free mkt	\$10.210C	+2	\$10/100			
Platinum troy oz	\$23.5		\$280			
3 mths	\$23.5		\$280			
Gold	\$380.15		\$380.15			
Quarterly	\$340.05		\$380.15			
Half troy oz	\$340.05		\$380.15			
3 mths	\$340.05		\$380.15			
5 mths	\$340.05		\$380.15			
Tin	\$27.5	+25¢	\$27.5			
3 mths	\$27.5	+25¢	\$27.5			
5 mths	\$27.5	+25¢	\$27.5			
Wool	\$22.4	\$27.5	\$27.5			
3 mths	\$22.4	\$27.5	\$27.5			
5 mths	\$22.4	\$27.5	\$27.5			
Wool	\$22.4	\$27.5	\$27.5			
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Companies and Markets

NEW YORK

(Closing Prices)

Jan 17

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Dow Jones

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WORLD STOCK MARKETS

Dow 3.96 higher at close

WALL STREET stock prices closed on the up side but below the day's highs as investors took profits in the last two hours of trading.

The Dow Jones Industrial average rose as much as 11.88 points at one stage but slid steadily to finish with a gain of only 3.96 at 1,084.81.

Advances led declines three to two and volume widened to some 80m shares from 88.48m on Friday.

AT MIDSESSION the average was up 9.75 points at 1,080.80, the New York Stock Exchange all-common index was up 84 cents at 585.31.

Analysts said a Discount Rate cut was widely expected last week, and these expectations gained further support from the money supply figures, reported last Friday.

The money supply figures, analysts added, suggested that the Federal Reserve had room to cut the Discount Rate without a serious risk of boosting inflation.

Technology stocks were the market leaders, with IBM the pace-setter. IBM, often considered a bellwether for the market, rose 1.25 to \$100.75.

Other strong Technology stocks included Texas Instruments, up 1.12 to \$154.12, Digital Equipment, up 1.00 to \$100.00, and Intel, up 1.00 to \$94.00.

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Value Index strengthened 3.64 to 371.94 at 1.2m. Volume 7.17m shares (5.94m).

Canada

Gold issues posted strong advances, bolstered by the rise in the Bullion prices, and left Canadian markets broadly higher in active early dealings.

The Toronto Composite Index was ahead 12.6 at 2,085.9 at noon, while Golds jumped 12.32 to 1,128.2 and Metals and Minerals 30.5 to 2,065.5. Only the Oil and Gas sector index, off 1.0 at 2,997.1, and Pipelines were easier.

Miners rose C21 to C511. Long Lac C51 to C327 and Dome Mines C51 to C261.

Tokyo

There was a reasonable turnover yesterday, although falling well below recent high levels, as the market put on a rather mixed performance. Pharmaceuticals, Domestic issues were mostly in firmer vein, but many international Populists plotted an easier course as concern continued about the high level of margin buying positions. There was also a slowdown in the overall level of foreign buying.

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Pharmaceuticals were broadly higher. Price levels suffered a correction in December and January after news that the Government had suspended Nippon Chemicals' sales for 30 days for submitting false data to obtain approval for production of some drugs. Now, traders said, they were gradually regaining strength, although trading was not heavy.

Speculation that TDK Electronics' fiscal 1982 earnings, due to be reported early next week, will show a smaller increase than previously expected left TDK down Y100 to Y4,380, and also caused sympathetic declines in some other Light Electronics. Sony, however, gained Y50 at Y3,400.

Helped by Wall Street's rise on Friday.

Germany

Bourse prices again showed a clear trend in subdued trading. Dealers reported small volume as most investors held back amid doubts about the extent of possible leads and interest rate cuts this Thursday.

A retreating Domestic market and continuing uncertainty over the pending March General Election in West Germany.

Banks managed limited gains, with Deutsche DM 130 higher, and Commerzbank advancing each 10 pence from 1.20 to 1.30.

Electronics rose AEG receded DM 170 to DM 200 on a magazine report that it would require fresh loan guarantees. The company denied the report.

Domestic Bonds finished with declines ranging to 45 pence, with Deutsche Bundesbank having to buy DM 71.5m of public paper, against DM 38.1m purchases on Friday.

Hong Kong

In another positive showing of buying interest by institutions, a rise in the Call Money Rate to 12 1/2 per cent improved after a

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Helped by Wall Street's rise on Friday.

Johannesburg

Gold shares advanced with the Bullion price in heavy trading. Heavyweight shares stretched to 25 pence in Barlows at R106. Amalgamated Lightweights Bracken rose 45 cents to R5.60.

Australia

Benefiting from falling interest rates, a firmer Australian dollar and the strong, sustained tone of trading last Friday on Wall Street, Australian markets tended to move higher yesterday in quiet trading. The All Ordinaries index put on 3.3 to 533.1.

Market leaders and heavyweight shares advanced. BHP added 6 cents to 237.2, CSR 5 cents to 253.25, Western Mining 12 cents to 254.10, E2 6 cents to 255.16, Bega-Warwick 10 cents to 255.16, and Central New South 10 cents to 255.16.

Prices were mixed in moderate activity, with the market hesitant following the National Statistics Institute's latest report, indicating continued pessimism among industrialists. Also dampening sentiment was a rise in the Call Money Rate to 12 1/2 per cent from 12 1/4.

Paris

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New York

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Tokyo

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Netherlands

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Abta restriction of travel agents valid

AGREEMENT BETWEEN THE MEMBERS OF THE ASSOCIATION OF BRITISH TRAVEL AGENTS LTD
 Restrictive Practices Court (Mr Justice Anthony Lincoln, Mr H. C. Pearson and Mr C. J. Risk): December 20 198

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INSURANCE & OVERSEAS MANAGED FUNDS

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NOTES

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FINANCIAL TIMES SURVEY

Personal Computers

Only a few years ago, personal computers were merely for hobbyists. But today sales worldwide are measured in billions of dollars as hundreds of computer companies compete in cut-throat fashion to win a share of the market in micros for home, school, office and factory.

Suddenly there is a micro for everyone . . .

By JASON CRISP

ALMOST OVERNIGHT the personal computer industry has grown from nothing to become a major business that has attracted some of the largest companies in the world.

This fast-growing and highly fragmented industry has attracted hundreds of companies which range from budding entrepreneurial computer engineers, working from home, to corporate giants such as IBM and Xerox. The market place is no less the leading and very fast-growing personal computer company set up in a Californian garage in 1976. Its success owes much to Visicalc, a very useful business spreadsheet enabling users to pose "what if" questions.

Yet at the heart of these disparate systems are a handful of standard microprocessors from a few semiconductor companies—particularly Motorola, Intel and Zilog.

In the six or so short years since the arrival of the first personal computers, the competitive factors in the market have changed considerably. In the beginning there was just the hardware, the computer itself, when price and performance were about the only criteria for success.

But the industry did not really begin to take off until applications software became available—in other words, when the computer became a useful tool to someone who did not even know how to program it.

The classic example is Apple,

Key factors

For quite some time, Visicalc was only available on Apple computers which gave its sales a major boost. But the growth of common operating systems enabling software to be used on a number of different computers—has tended to reduce the direct importance of software in selling machines.

Distribution and marketing have become increasingly important competitive factors. With diverse markets and low priced products, the methods of distribution and sales has ranged widely. These include mail order, retail chains such as WH Smith in the UK and Safeway in the U.S., specialist computer shops, office equipment dealers and direct bulk

sales to large companies.

Retailers and dealers are limited in the number of personal computers that they can offer because of the limitations of training sales and support staff. And it is becoming harder for manufacturers to sign up good outlets for their products.

The personal computer industry remains dominated by the U.S. companies including the best-known three, Apple, Tandy and Commodore which more or less created the business. But in the past year or so they have been joined by a host of companies, including IBM, which has had a major success in the U.S. with its "Personal Computer."

Other U.S. contenders include Digital Equipment, Hewlett-Packard, Sperry, Wang and Xerox and a number of other well-established computer and office equipment companies. Much smaller companies growing fast in personal computers in the U.S. include Altos, Conquest Technologies, Sirius, Fortune and Osborne.

The long-expected Japanese competition in personal computers has, so far, had little impact in either Europe or the U.S. For instance, NEC which dominates the Japanese personal computer market, has been notably unsuccessful in the U.S., as have companies such as Sanyo and Oki.

Although the Japanese com-

panies have produced technologically sophisticated products they have tended to lack suitable software and have also suffered from poor distribution in both the U.S. and Europe. But the Japanese now dominate their home market, which is becoming increasingly sophisticated and moving from entertainment to business applications.

Also the Japanese are substantial beneficiaries of the personal computer boom as a major supplier of peripherals. Most visual display units (VDUs), and many floppy disc drives and printers are made by Japanese companies.

Best-sellers

A number of European companies have also entered the market, including Philips, Olivetti, Triumph-Adler, and ICL. One of the best-selling computers in the world, and costing just £50, is made by Sinclair Research of Britain.

The applications of personal computers are extraordinarily diverse. The largest markets are business use. A number of small companies use them for their accounts, payroll and other routine applications for which larger computers are also used. The application in larger companies is often more varied and specialised but the greatest use is still in financial planning

using programs such as Visicalc. The home computer market remains very strong, particularly in the U.S., where they are widely used for playing video games. In Europe, there has been a strong thrust by a number of governments to ensure all schools have microcomputers. This, in turn, has stimulated sales of computers for the home, with children showing a remarkable enthusiasm for the new technology.



A civil engineer using a DVW Husky portable computer.

● Britain has the largest market in Europe for personal and home computers. Post-Christmas sales of microcomputers at Laskys (above), are up by 300 per cent over the same period last year. Mr Peter Klein, Laskys's managing director, comments: "A large part of the increase is due to the growing number of schools which now have computers—it is children who are bringing their parents into shops and advising them what to buy."

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THE WORLDWIDE PORTABLE COMPUTER MARKET

SHIPMENTS AND REVENUE FORECAST, 1981-1986*

	Shipments ('000 units)						CAGR† %
	1981	1982	1983	1984	1985	1986	
United States	17.5	92	173	314	525	822	73
Total	26.5	115	230	449	808	1,370	86
Percent U.S.	66	80	75	70	65	60	

	Revenues (\$m)						CAGR† %
	1981	1982	1983	1984	1985	1986	
International	9.0	23	57	135	283	548	121
United States	\$45.0	\$192.0	\$345	\$566	\$975	\$1,260	60
International	28.8	47.7	115	242	525	840	106
Total	\$73.8	\$239.7	\$460	\$808	\$1,500	\$2,100	72
Percent U.S.	61	80	75	70	65	60	

* Excluding calculators and consoles. † CAGR, compound annual growth rate. Source: Creative Strategies International

● Portable computer devices: new markets opening up... see Page III

Digital's computers undercut competitors

By LOUISE KENNE in SAN FRANCISCO

DIGITAL EQUIPMENT (DEC) has sent a shock wave through the personal computer industry with the introduction of a new range of high performance low cost machines. DEC has been expected to enter the personal computer market for over a year, but until yesterday, the world's leading minicomputer manufacturer made no move.

DEC is introducing three machines—personal computers for the business environment—each offering improved performance over its competitors' machines. The shock was not so much the performance as the low prices of the DEC machines.

The same time, offering more powerful computers. DEC will sell its personal computers in retail stores, as well as direct to business customers.

"The Professional," as DEC calls its top rated personal computer, is priced at \$2,400, a "workstation" for \$5,000, the DEC machine offers twice the performance of the IBM personal computer at the same price," says M. Dale Rutnick, the industry analyst of the Boston Yankee group. A machine with a more equal performance to the IBM

DEC makes waves in the personal pond

Digital Equipment (DEC) has thrown its personal computers into the pool, creating waves which will sink some other vendors and eat away at the shoreline of the market.

DEC's move has covered the bases with its personal computer providing the operating system, which allows for major and minor software applications.

DEC aims to bury its competitors

DEC's new personal computer will even put the heat on IBM

Having underwhelmed the world with its Office Plus announcement recently, Digital Equipment (DEC) seems to have delivered a big winner with its family of four personal computers launched last week at a teleconference linking London, Toronto and Boston.

DEC's founder-president, Kenneth Olsen, said before the launch that DEC intended to "bury" IBM. But it looks as though even

Personal level as DEC debuts

THE LAUNCH by Digital Equipment (DEC) of three personal computers has taken place simultaneously in Britain and the U.S.

The move by the world's biggest minicomputer maker is a major challenge to IBM, whose own Personal Computer (PC) is unavailable.

DEC's new offerings, the Professional, the Executive and the Personal, are priced at around £2,500.

Another entrant at the upper end of the personal computer market this summer has been expected.

US analysts have been reasonably impressed with DEC's new offerings. They believe that the market

DEC's Rainbow offers good software choice

Digital Equipment, best known in the minicomputer world as DEC, has finally made its entry into microcomputers—and looks likely to make quite a splash.

The launch of the Rainbow 100 personal computer, combined with two more up-market systems closer to the company's microcomputer line, shows that DEC

Software firms eye new DEC micros

THE NEW microsystems with which Digital Equipment hopes to conquer the personal business computer market are already earning a magnetic pull on software producers.

Two of the first companies in the UK to confirm that they have adapted their software to run on the DEC machines are Applied Data Research and Peachtree Software.

"We've signed a deal with DEC to provide it with suitable versions of our Empire accounting software suite," ADR's Nick Pollard told *Computing*.

"There has been very close collaboration between the two companies," Empire.

At last there is something the experts are agreed on.

You can usually count on experts to agree only to disagree.

Until, of course, they're confronted with products as exceptional as our new personal computers.

But even then we have to admit there was not complete accord.

Some were obviously impressed by the Rainbow 100 which has both 8-bit and 16-bit processors.

It's like two computers in one.

At the same time others were undoubtedly

swayed more by the Professional 300 series which puts true PDP-11 minicomputer power in a personal computer for the first time.

Still, they could all wax lyrical over the amount of ready-to-run software available for each model. Or the DECmate II office management system. Or the service options. Or the price. Or the networking potential.

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PERSONAL COMPUTERS II

The U.S. market has grown by 83 per cent in a year

Sales are soaring

WHICH personal computer should I buy? This is the question troubling thousands of Americans this year. Fortunately there is no shortage of people ready to give them an answer. An estimated 130 U.S. companies are competing for a share in the profits of the personal computer market.

U.S. sales of personal computers costing less than \$10,000 will top \$8bn this year, representing a growth of 83 per cent over 1981. This estimate includes only the basic computer price. Future Computing, a market analysis group in Richardson, Texas, pegs the 1982 market for personal computers at \$10.4bn and expects to see it grow to \$13.4bn by 1987. Both groups say they believe their estimates are conservative.

However, many billions of dollars worth of personal computers are out there, there is no escaping them. TV and radio commercials tout the latest machines and software programmes. Parents are urged to give their pre-school youngsters a head start with CDC's Plato software. Radio phone-in programmes answer the urgent enquiries of new computer users about how to operate their machines. Teachers advertise after-school tutorials for the aspiring computer programmer—aged five to 11. While consumer spending is generally in a slump, sales of personal computers soar.

There is a personal computer for everyone. Last week Atari announced computers, games for three year olds with a simple press button control. There is a personal computer designed for the fastidious executive who does not want a keyboard parked permanently on his desk—it folds away to fit in a drawer. There are portable computers for the business traveller, desk-top computers for the secretary, school computers.

Competition

Behind all the hoopla, a growing number of computer suppliers are competing in cut-throat fashion to establish, or hold on to, a share of the market. Just three years ago personal computers were for hobbyists—people who enjoyed tinkering with the machine. With the changing pattern of computer usage several new market sectors have developed—each with its own group of suppliers and distributors.

Established microcomputer makers have been forced to extend or revise their distribution channels. Office automation companies are dealing for the first time with retail stores. Consumer product

manufacturers are treading the path of direct sales. Distribution has become a critical element in the success of a micro-computer.

The computer retail store still sells the bulk of microcomputers but that is changing fast. Specialist stores cannot compete with high-volume retailers in the low end of the personal computer market. The true home computers—machines priced around \$200—are sold in toy stores, department stores and supermarkets. A snag, for consumers and suppliers alike, is that few of these outlets are willing to carry add-on hardware and software for the machines.

Leaders

In home computers the leading suppliers are Texas Instruments, Commodore, Atari and Sinclair. Since a large proportion of the home computer users are children, there is a close link between this sector and the education market. By the end of 1983 every public school in the U.S. is expected to have at least one personal computer. Many will own several.

Personal computers in the \$1,000 to \$5,000 range are the prerogative of the computer store. Customers are offered a degree of support and a selection of software and add-on devices. A new trend to computer retailing is the software store that concentrates its efforts on selling the programmes that make the personal computer run. Also popping up around the U.S. are personal computer service centres that offer quick repairs to users.

In the middle price range personal computers have entered the office automation market, appealing particularly to small businesses as an inexpensive means of automating filing systems and providing word processing capability. In this market sector software sells microcomputers. Apple Computer, for example, has continued to maintain a lead in the market with its Apple II despite the fact the new machine is in many ways outdistated by competitors, primarily because there is more software available for the Apple II than any other microcomputer. Next week Apple will introduce an updated version of the II.

A year ago Apple and Tandy led the personal computer market and a host of others followed. Then IBM upset the "apple cart" of the microcomputer market with its own version of the personal computer.

IBM has established a 20 per cent market share and is second only to Apple in the over \$1,000 personal computer market.

IBM is expected to introduce another lower-priced personal computer—in 1983, possibly a portable version of the PC. Apple Computer also has machines waiting in the wings. Next week, the company is scheduled to introduce Lisa—a "revolutionary" machine that will "change the meaning of the words personal computer" according to Apple. Like many of the latest personal computers Lisa will be built around a "16-bit microprocessor chip" that will give it three times the speed and four times the memory capacity of earlier 8-bit computers.

More important, Lisa is designed to be easy to use. The control codes needed for most computers to select functions will be replaced by a device called a mouse—a hand-held unit that slides on the desk top and controls the movements of an arrow on the screen. Point the arrow at a graphic symbol representing the required function, press the button and that's it. For the business managers and professionals that are expected to buy Lisa, simplicity is essential. The computer makers know that the vast majority of users that go into learning to use most personal computers are not acceptable in the executive suite. Eventually, the "friendliness" of the \$8,000 Lisa is expected to trickle down to less expensive machines.

Significant

Lisa's impact in the personal computer market will be significant whether or not the machine is itself a success. Already, software publishers are rushing to match the features of Lisa. A number of programmes designed for other machines. These so-called integrated software packages allow the user to perform several tasks simultaneously. To do so they require the power of a 16-bit architecture, the move toward multi-tasking, as the industry calls this feature, is expected to accelerate the growth of the high-end personal computer market.

With 16-bit architectures, personal computers cross into the corporate office automation field. These \$7,000 plus machines can perform the tasks formerly handled by minicomputers. An important feature of the high-end microcomputer is its ability to communicate with other computers on a network. A fast-growing market for personal computers has emerged among large corporations that are putting a computer on every—or almost every—desk.

Louise Kehoe

Japanese become more compatible

THERE IS a growing school of thought which believes that 1983 will be the year when the Japanese properly sink their teeth into the international personal computer market.

So far, they have appeared almost curiously diffident to exploit a technological area to which their expertise would be so suited. But there is evidence now that they have used their time—and experimentation in an explosive domestic market—to good use.

If this is true, then one simple announcement at the turn of the New Year is testimony to the energy and resources Japan has been devoting to personal computers. After five years of labourious work, Matsushita Electric has announced that it had developed a computer language of its own, using not English, but Japanese characters and ideographs, and eminently suitable for use in personal computers.

This may seem less than earth shattering to the outside world, yet solving the language hurdle has occupied some of the best Japanese computer minds for years. Japanese is not merely at once an infinite and a precise language: it has two phonetic "alphabets" (kana) and complex Chinese characters (kanji). Knowledge of 2,500 of which constitute a minimal working vocabulary.

Devising a straightforward computer language in Japanese had seemed so daunting a task that there were speculations that Japan might bypass this stage and go straight into programming by voice recognition. NEC already has such a device, though with limited capability, on the market.

Strong appeal

But the keyboard has a powerful appeal and particularly among the amateur users of personal computers, only ten per cent of whom in Japan are said to be comfortable performing programming tasks in computer languages based on English.

There is every reason to suppose that Matsushita's breakthrough will open a veritable floodgate. Hiding behind its domestic shield, the Japanese personal computer industry has been growing so fast in the past three years that it is hard to keep track of who is doing what.

There are now at least 70 companies in the market, ranging from the traditional electronics giants (NEC, Toshiba, Hitachi, Fujitsu, Sony and Sord) to otherwise insignificant manufacturers of household appliances.

Competition is cut-throat, even with rapidly expanding demand. And some business failures must be considered inevitable. The personal computer sector, incidentally, is one which the Ministry of Trade and Industry (MITI) has never taken under its protective development wing.

Last year's output of personal computers in Japan probably exceeded 700,000 units, well over double 1981. Three years ago, the U.S. pioneers in the field (Apple, Commodore and Tandy) dominated the domestic market, but today they probably command under ten per cent.

IBM, well established in Japan, is a different matter: indeed, it was IBM's decision in 1981 to move into the personal computer market which undoubtedly served as a spur to Japanese industry. Always Japanese hardware and peripherals, it quickly perceived that the name of the game was to produce equipment compatible with IBM products.

It helped enormously that IBM opted for the 16-bit microprocessor because Japan has mastered the economies of scale in chip manufacturing and can turn out larger capacity microprocessors almost as cheaply as small ones.

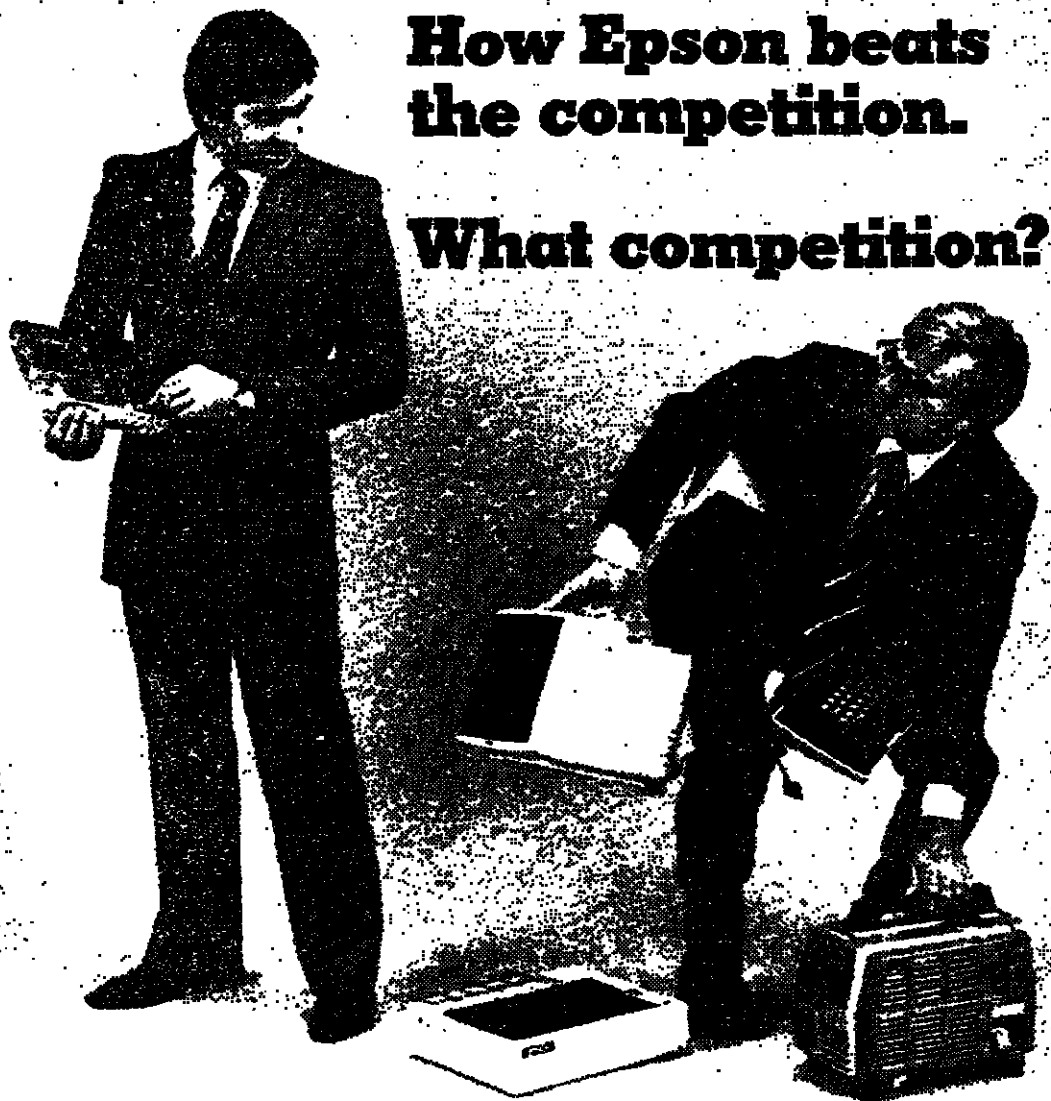
Thus, at the major Tokyo electronics exhibition in October, six leading Japanese manufacturers (NEC, Toshiba, Sanyo, Hitachi, Mitsubishi Electric and Matsushita Electric) were all able to display personal computers fully compatible with IBM equipment and software. This fact is important because Japanese software has often been considered subpar by international standards.

The longer-term future for the Japanese in the global personal computer market may well be as the principal manufacturer of hardware and peripherals for the major Japanese companies want to make their presence felt. Last year, domestic sales were so good that probably no more than 30 per cent of personal computer output left Japan. But most of the big companies and a handful of the smaller one are now focusing on the U.S., in particular.

Jason Crisp

Jurek Martin

How Epson beats the competition. What competition?



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U.S. suppliers dominate European market

Although the European market for personal computers is significantly less well developed than it is in the U.S., it is now a major business showing substantial growth in a number of countries.

The European market has been largely dominated by the leading U.S. suppliers of personal computers which is one of the reasons why it has not developed as quickly as the American market itself. The three main driving forces in the U.S.—Apple, Tandy and Commodore—have also had a major impact on the European market. But unlike the U.S., it is Commodore which has the largest share of the market in many European countries.

A number of large indigenous manufacturers have also begun to contest the European market with varying degrees of success including Philips, the Dutch electronics company, Olivetti, the Italian office equipment group; Triumph-Adler of West Germany; and British ICL.

In addition, a host of small entrepreneurial firms have launched a number of personal computers which range from home computers costing less than £100 to comparatively powerful and sophisticated machines for scientific applications.

A higher proportion of microcomputers in Europe are used in business than the U.S. where there has been a particularly strong demand for home computers, particularly for playing video games.

West Germany has been the stronger European market for microcomputers for business use. But a number of observers believe the major growth in Europe in the medium-term will come from other countries, particularly Spain, France and Italy.

A recent study conducted by Inteco, a part of the leading U.S. consultancy Dataquest, shows the installed base of small computer systems costing less than \$15,000 in business in Europe was 368,000 at the end of 1982. Of these, 80,600 were in West Germany, 71,300 in the U.K., 65,500 in France and 58,400 in Italy.

But if home computers are included, then Britain is the

largest European market. This is partly because the UK market has developed more quickly than it is in the U.S. it is now a major business showing substantial growth in a number of countries.

But the UK also has an exceptionally large number of indigenous entrepreneurial microcomputer companies. The best known and most successful is Sinclair Research which has pioneered the cheapest computers in the world. In the three years since the first Sinclair computer was launched, then, costing £100, the company has sold over 900,000 units.

Selling well

In the UK, there are thought to be more than 500,000 personal computers, of which the equipment is the very low cost machines from Sinclair.

Sinclair computers are also selling very strongly in France and West Germany.

There are over 50 UK producers of microcomputers, but many of the smaller companies lack the crucial marketing and distribution strengths which are rapidly becoming the key to the personal computer market.

Small computer companies in the UK include Acorn of Cambridge (which also makes the BBC micro). Research Machines of Oxford, (one of the approved suppliers for schools), plus new companies such as Dragon and Jupiter. More sophisticated products are available from companies like Casio, a major supplier to British Telecom, Rair, and System, the Leeds-based mini-computer company.

The European market for microcomputers for business has been led by Commodore and Apple. But a number of the traditional suppliers of larger computers have been having growing success with small computer systems—some of which fall outside a strict definition of a microcomputer. These include Olivetti, NCR, Burroughs, Philips and Nixdorf. Competition in the current year is expected to increase.

substantially particularly from the U.S. The launch of the IBM Personal Computer in Europe is imminent and is expected to achieve a major share of the market. Digital Equipment (DEC), the second largest computer manufacturer in the world after IBM, has also announced three microcomputer systems which will appear in Europe in 1983 and Burroughs will launch its B20 microcomputer.

Olivetti last year launched a powerful 16-bit microcomputer, the M20 is one of the leading European competitors for this fast growing market. Thomson-CSF, the French electronics company is the largest single investor in the California start-up company Fortune Systems. Thomson supplies Fortune's powerful microcomputers on an original equipment manufacturer (OEM) basis.

Philips' initial foray into the personal computer market just over two years ago was not a success. It introduced two systems, one for the office and other for home, which were criticised for limitations on software, price and the method of sales and distribution.

Recently Philips launched two new systems which have gone a long way towards meeting the criticisms of the first models. The new systems can run on the widely used CP/M operating system which gives users a very wide choice of software and therefore applications for their computer. It is also more powerful and better designed, but now faces much tougher competition.

While the European market is expected to grow very rapidly in the next five years so is the amount of competition. In addition to the new companies entering the microcomputer field with very competitive products from the U.S., like IBM, DEC and Burroughs there is also the prospect of stronger competition from Japan from companies like NEC, Hitachi and Sharp.

*Details: Inteco, 17 Bedford Square, London WC1 (Tel 01-637 9886).

Jason Crisp

PERSONAL COMPUTERS III

III

The trend is towards integrated software capabilities

Big changes in software systems

NEW microcomputer users are quickly apprised of the harsher realities of software. Executives in large companies are protected by their data processing departments from ever having to come to grips with the fact that their computer has an operating system and that operating systems determine the kind of programs the computer will run.

Not so the lone micro star. Right from the word go, the microcomputer user has to realise that unless he or she is going to write all the applications software for the machine, then the choice of operating system is actually more important than the computer itself.

What is an operating system? It is a piece of software which carries out the computer's housekeeping functions. It determines, for example, how it will deal with its disc storage, how it will handle the display screen; if more than one user is connected to the computer, it determines the priority with which each of their requests should be treated.

And it tells the computer how to handle applications programs, lists of computer instructions telling the machine how to carry out specific tasks which are loaded into the computer's memory when required.

In the beginning, there was operating system anarchy. Every microcomputer manufacturer developed a system to suit his own machine.

Commodore

Commodore, for example, which with the Pet, produced the first properly packaged and marketed personal computer, developed its own real time and interactive operating system to run on its increasingly sophisticated range of machines.

Commodore's lead in the marketplace soon meant that a massive amount of microcomputer software was written—but it could only run on Commodore machines.

The turning point was the development of a disk-based, portable microcomputer system which, because it was the first of its kind or because it was simple and effective or a bit of both, became the de facto world standard.

It was called CP/M (Control Program for Microcomputers) and it was developed by Gary Kildall of Digital Research in the early 1970s.

Now it has been adopted by

over 600 microcomputer manufacturers including IBM, Digital Equipment Corporation, Hewlett Packard, Xerox and Wang.

It is a single user system for a very popular family of eight-bit microprocessors developed by Intel—the 8080 and 8085 (Kildall was working under contract for Intel while developing CP/M).

The hobby computer boom was in full swing, floppy discs were becoming popular as principal backing storage on micros and CP/M simply took-off. Kildall says now: "It was a good match of a low-cost processor and a low-cost storage medium with a practical, easy-to-use operating system that didn't try to do everything."

It was certainly good enough to support the development of a mass of packaged software—perhaps as many as 4,000 packages—all of which would run on any machine using CP/M as its operating system.

Portability of software—the ability to take a piece of software running on one machine and transfer it without alterations to run on another has long been a goal of micro software writers.

In the 1970s, Computer Analysts and Programmers developed MicroCobol, a special version of the world's most popular commercial computer language which when used in conjunction with its own operating system, allowed portability.

There were problems, however, and eventually a new company, MPSEL, headed by Alastair Jacks split off from CAP to develop and market the new software. Now it consists of an operating system, BOS, together with applications software for word processing, accounting and other business uses.

BOS software will run on 50 or so micros—the applications software is portable, the operating system has to be tailored to the microcomputer in question.

In the UK, MicroFocus, a small software house has twice won the Queen's Award, once for technology, once for exports for the development of CISC-Cobol a form of Cobol which could be moved from machine to machine. The program is modular, and one part of the module defines the relationship between the program and the operating system.

But the world is moving on to

faster and better microprocessors. Some argue that an operating system called MS/DOS marketed by Microsoft of the U.S. is the industry standard for 16-bit machines; others argue in favour of CP/M-86, a high performance version of CP/M designed for 8086 and 8088 based 16-bit machines.

The IBM Personal Computer, yet to be launched in Europe, is offered with either MS/DOS or CP/M-86.

Other 16 bit operating systems which are in the running include Unix and UCSD-P.

Now software manufacturers are turning to what they call "integrated software." Basically, this is a special piece of housekeeping software which is fitted on top of the operating system and manages a number of applications programs at once. It enables, for example, word processing to be combined with graphics and spread sheet analysis to enable businessmen to generate reports.

Progress

Visicorp. (of Visicalc fame) was one of the first to introduce integrated software—it calls its offering "Visi-on."

Apple's latest machine to be launched today will have integrated software capabilities built in.

The microcomputer software business is in a state of dramatic change with the emergence of software "publishers" companies who publish applications programs in rather the same way conventional publishers publish books. Software publishers buy-in programs from software authors, edit them, package them and sell—often for comparatively modest sums.

Major U.S. publishers include Lifeboat Associates and Visicorp; in the UK Caxton was the first to put up its shingle. Now it is offering Cardbox, a personal filing system, Optimiser, a project resource planning aid and Touch 'N' Go, a typing tutor.

There is massive scope for programs of all kinds. For £90 Professional Computer Services will sell you a cheque writer to run on your Commodore. For £250 Arden Data Processing will sell an estate agent a system to run on an Apple II.

Some idea of the scope can be gained from the fact that only last year, Macro Focus

launched a program called "Animator."

It simply displays Cobol source code on the screen while the program is running, the cursor moving from line to line as each is executed.

The idea is to make it easier to understand the logic of the program and assist the programmer in getting rid of the bugs (errors) it contains.

It sounds the archetypal obvious idea, yet Micro Focus believes it is the first software house to write and market such a program.

Software for the smallest personal computers—the Sinclair ZX81, for example, is ridiculously cheap. A simple planning system or file card system can be had for £7.50 or so. Personal computer magazines publish perfectly respectable programs for the cover price of the periodical.

What is worrying most commercial software producers is piracy. It is very simple to load a piece of software from tape or disc and unload it onto another disc or tape. According to Mr Ashley Ward of Intelligence (UK) more than 90 per cent of software in use on microcomputers has been pirated.

One answer is the dongle, a device which fits on to the users' microcomputer and which allows the use only of authentic software on that machine.

Dongles or software protection devices seem increasingly certain to become a condition of sale of software packages. The future of independent software houses may depend on them.

Alan Cane

PORTABLE COMPUTERS are hardly new. For years now, computer programmers have worked at home connected to their company mainframe by a telephone line, an acoustic coupler and a terminal-in-suitcase like the Texas Instruments Silent 700.

What is new, and giving rise to considerable interest, is the emergence of machines with considerable processing power of their own, with built-in peripherals such as screen and printer and yet light enough to be carried by their operators as they go about their daily tasks.

Portable computers encompass devices of all levels of sophistication from the programmable calculator to the portable desktop computer.

Creative Strategies International, a well regarded U.S. consultancy, defines four types of portable computer. First, the programmable calculator weighing less than one pound and programmed in a machine language—an example is the Hewlett Packard HP41CV, the most sophisticated of its kind.

Second, the hand-held computer—still weighing less than one pound, but equipped with a small display and program-mable in Basic or some other high-level language—Tandy, Sharp, Casio, Panasonic and Quasar all manufacture such devices.

Then there is the portable keyboard console, weighing two pounds or so, with a keyboard which approaches standard size and an interface allowing the output to be displayed on a television monitor.

The Epson HX-20 is one of the best examples of this genre. It has virtually a full-size keyboard, 16 thousand bytes of read and write memory, a liquid crystal display, printer and cassette tape drive, all in a package which could fit on a piece of A4 paper.

Last, there is the portable

New markets for sophisticated portable devices

computer, a personal computing device weighing less than 30 pounds, with microprocessor, memory, standard alphanumeric keyboard and keyboard all in a durable carrying case.

This sector divides naturally into two clear market segments—the expensive executive personal computers, exemplified by the Grid Compass and the cheaper but tougher sophisticated data collection devices, illustrated by the DVW Husky or Datapoint FCI.

What has generated this sudden proliferation and diversity of machinery? Chiefly, improvements in the technology. In the past few years, semiconductor houses have moved to a way of fabricating silicon chips called complementary metal oxide silicon (CMOS) which makes possible long memory retention with low power consumption; in other words, it makes possible computers which can be run for a respectable time on batteries—the Epson HX-20, for example, will run for 30 hours continuously without recharge.

There have been improvements in display technology—the Epson, Husky and FCI, for example, all use a large liquid crystal screen which makes it possible to display four lines of Basic instructions at a time.

Other display technologies which are advancing include flat panel, the cathode ray tube (CRT) and Sinclair are working on a desk-top monitor using Sinclair's

"flat" cathode ray tube) gas plasmas and electroluminescence. And there have been significant improvements in storage. The Husky, for example, can store up to 144 thousand bytes—an amount which would have been perfectly respectable in a stand-alone minicomputer of only a few years ago.

The SORD M23P, a new machine from one of Japan's fastest growing computer companies, has two built-in micro-floppies (3.5 inch plastic discs) giving a total of 580 thousand bytes of storage, in addition to 128 thousand bytes of fast memory.

According to Creative Strategies there are currently some 10m portable computing devices installed worldwide and 2.2m units were shipped in 1981 alone. In 1986, Creative Strategies continues, some 24.5m units will be shipped.

Definitions

The exact number of devices installed or shipped depends very much on the definitions used, but the pattern remains the same. In the UK, John Bell Computer Services of Fleet, Hampshire, has examined the market for portable terminals and concluded that market demand for these devices is increasing at over 30 per cent in the U.S. and at over 40 per cent in the UK.

Of the 10m devices which Creative Strategies argued were installed by year end 1980, most

were programmable calculators, but Creative predicts: "Within the forecast period, shipments of portable computing devices will grow at a compound annual rate of approximately 60 per cent, with revenues growing at the rate of 66 per cent compounded annually."

So there will be a substantial number of these devices around. What will they all be used for? Creative points out that high end programmable calculators will be capable of replacing programmable controllers in industry—this will be a tremendous saving to manufacturers who will be able to purchase a programmable calculator at less than \$400 as compared with a \$2,000 controller.

Most of the more sophisticated machines will be used for data capture and processing. The John Bell study points out: "Portable terminals are having a high market impact because they have the major benefits of eliminating costly processing at the central computer and make easy data collection."

At the top end of the market, manufacturers see briefcase computers as personal computing for executives—an alternative to paper and pencil.

According to Creative, Apple is working on a portable computer with 128 thousand bytes of read and write memory. Xerox is working on the Dynabook, a portable version of its "Star" executive workstation.

A novel application noted by Creative is horse race analysis: "Several manufacturers are marketing specific programmable calculators for handicapping horse racing. Matel has introduced its 'Horse Race Analyser', priced at \$125—it compares ratings, but leaves the betting choice to the user."

A. C.

How micros provide a more flexible approach

FOR MANY companies familiar with mainframe computing, microcomputers have represented an opportunity to switch from "sledge hammer" solutions to more flexible, personalised approaches.

Kennington, Little and Partners, a medium-sized building and engineering consultancy with its own computing arm, ABC (Computers), had begun using a central mainframe computer system in the mid-1960s for use in its work with reinforced concrete structural design. With the increase in the consultancy's national spread to 12 branch offices and

170 people, plus a shift in the total practice workload, the use of personal computers became particularly attractive.

According to Mr John Seifert, managing director of ABC (Computers): "It became obvious that the job engineers needed direct access to the computer system, both in order to gain the full benefit from its use, and to help overcome the computer barrier that existed then and, to some extent, still persists today."

Microcomputers became the answer in 1978. From the original application in a steel-work program using a Tandy

TRS-80 Model I, the company has expanded its use of microcomputers to cover both centralised and decentralised applications. At the central office, using a TRS-80 Model Two, Kennington Little's micros currently perform job-costing, personnel, file reminder, job list, client files and analysis tasks.

The job-costing program replaced a bureau program costing £600 a month and is a more comprehensive program with many additional facilities. In the branches, applications are more technically orientated, geared to the design requirements of

the consultancy's clients. Five branch offices have their own Tandy personal computers, backed-up by a central computing unit which provides professional advisory, maintenance and buying services.

All engineers—from young trainees to chartered engineers—are encouraged to make use of the firm's computer facilities. For younger engineers in particular, microcomputers are a training godsend, says the company. The computer allows them to try alternative solutions, and test the sensitivity of structures they design to various types of loading and stiffness

arrangements. From an examination of the results, young engineers can obtain a "feel" for the right answer and develop their value to the organisation. ABC's introduction of microcomputers to Kennington Little has meant a change in the user-philosophy for a particular program relating to the then existing limitations of microcomputers.

As Mr Seifert says: "It is significant that five years after the introduction of the TRS-80 Model I, the latest Tandy 16 bit machine, coupled to a hard disc, will provide the capacity to revert to an integrated system."

John W. Seifert



"Dad, can you help me with my homework?"

Over the next two years, nearly every primary school in the country will have a computer on its staff. Ask yourself this question: would you appoint a member of staff without looking at his or her CV?

Here are the CVs of the ATARI® Home Computers.

What makes a good teacher?

A good teacher can bring any subject to life. At Atari, we've taken our inspiration from the best teachers we've ever met. Inside our computers, we have a microprocessor whose only job is to operate our high resolution graphics. All told, you

can choose 16 different colours, from a spectrum of 256 hues.

You can even blow up an image or sentence on the screen, a real boon if you're teaching a child to read, or even if you're just making a point.

In fact, on an ATARI computer, you can divide the screen into 60,000 tiny points, each of which can be changed individually to create exceptional graphics. You'll find it makes geography even more riveting as only a good teacher can.

Look, listen, learn.

Yet another chip in our computer lets you create more realistic sound effects. You can even make music in four-part harmony, using the four independent sound synthesisers and play it through the speaker on your TV.

The syllabus.

The ATARI computer has one of the largest software libraries in the world.

We have a program called Graph It™ which produces pie charts (and makes maths even more fascinating).

Another program called Video Easel™ allows children to explore the world of design, colour and form; while Music Composer™ helps children to compose and play music.

As for languages, we have software that can help you teach French, German, Italian or Spanish and, using Atari's unique 'sound through' system, it'll even help with pronunciation.

We even have a program that can teach children how to write their own programs.

Technical notes.

Technically, the ATARI 400™ Home Computer houses 16K RAM and 10K ROM; while the ATARI 800™ can handle up to 48K RAM and 10K ROM which gives you a lot of computer.

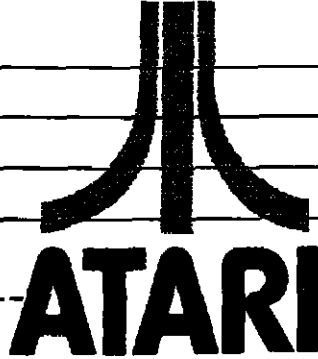
"Dad?"

Of course, our computers won't replace teachers, nor will they take over the role parents have always played in encouraging children to learn (or even giving them a hand with homework).

They will, however, make learning as fascinating as only a good teacher can make it.

Atari International (UK) Inc., Atari House, Railway Terrace, Slough, Berks SL1 3BZ. Please send me a FREE brochure, price list and the address of my nearest stockist.

Name _____
Address _____



Home Computers
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PERSONAL COMPUTERS IV

Potential buyers are all-too-easily confused by computer jargon and the proliferation of products.

Layman's guide to buying a microcomputer

BUYING A personal computer is, in many respects, akin to buying a new car: both the reason for purchase and the method of selection vary considerably from person to person.

Unlike the car market, however, most first-time microcomputer purchasers are working from a position of ignorance, rather than familiarity. If this applies to you, then the following advice may help you to avoid the most common pitfalls.

The term "personal computer" covers machines both for home and business use. Paradoxically, the most significant differences between the two types is not in their specifications, but in the way in which they are purchased. This is an important point to grasp, so we shall deal with the purchase of the two types separately.

With a home computer, the limitations on what you can use it for (whether that be learning to write your own programs, playing sophisticated arcade games, or performing some useful task in the home) will be determined by the design of the computer itself.

Specification is therefore important. Unfortunately, the information presented on the back of the manufacturers' sales brochures is not only couched in impenetrable jargon, but is almost entirely irrelevant. You certainly don't need to know the model number and "clock speed" of the CPU (central processing unit) or the amount of ROM (read-only memory) that it has—most of these buzzwords can be safely ignored.

Key factors

Below is a list of factors which are important. Most of them you can evaluate for yourself with no previous technical knowledge. For others it may be helpful to obtain the advice of someone who knows a little more, or read a computer magazine or book for clarification.

● **Construction:** Home computers vary greatly in both quality and design of construction. The heavier and more solid the better, of course, but ask to see the computer laid out on a table—many are prone to the "spaghetti syndrome"—a mass of wires interconnecting the computer, TV set, power supply, cassette recorder, and something called a "TV modulator".

● **Keyboard:** Until the advent of low-cost speech recognition units, you will be doing all your talking to the computer via the keyboard, so make sure you are happy with the "feel"—not all computers have proper type-writer-like units. And don't be worried that you do not at first

understand the significance of some of the keys—the more special function keys a computer has, the easier it will be to operate in the long run.

● **Screen:** The number of columns that the screen can display is important. Twenty is limiting for many applications. 40 is good, 80 is excellent (and rare). The range of colours (if any), and graphic symbols that can be produced will determine the flexibility of the display. The higher the resolution (for example, 320 x 200 dots), the smoother the curves you can draw and the better the realism of your games.

● **Sound:** Many home computers can produce sounds. Some are restricted to beeps and simple tones, others have the capability to simulate specific instruments or even crude speech. Ask for a demonstration.

● **Memory:** A computer has several kinds of memory which determine the sophistication of the applications which it can run. The type of relevance to end-users is called RAM (random access memory) and its size is measured in KBytes. For home use, a 32 KByte computer is as big as you will need, though some of the cheapest models come with as little as 1 KByte!

● **Expansion:** If you become hooked on computing, you will almost certainly want to expand the basic machine at a later date, either in the size of its RAM memory (to run larger programs) or with extra peripheral devices. Some machines are better for expansion than others because they have a larger range of interface slots at the back for connection to a whole range of peripherals. Others restrict you to the overpriced units supplied by the manufacturer.

This brings out a more general point: some home computers are well supported with both peripheral devices and off-the-shelf software programs from third party suppliers, and this must be viewed as a strength since it brings prices down and increases the range of both games and applications.

Other machines have little available in the form of either hardware or software to add on to the basic computer, and this is particularly true of the newest machines to come on the market.

If you are knowledgeable about computers, then one of

these newer designs will offer better facilities for the same price. If you are a newcomer, then you will be much better off with a longer-established model.

When buying a home computer you do not have too much choice of where to buy. Mail order does not carry as many risks as it once did, but be warned: with new home computers, the lead times are frequently well in excess of those quoted.

More and more High Street multiples are now carrying one or two home computer lines, and offer very competitive prices. However, the level of computer expertise on the part of the sales staff is, not surprisingly, low.

For professional advice, you will need to go to a dedicated computer shop—and pray they don't just baffle you with jargon!

MORE NEW PRODUCTS ON SHOW

PERSONAL COMPUTERS, word processors and micro software feature widely on the 240 stands at the third WHICH COMPUTER? Show opening tomorrow at Birmingham's National Exhibition Centre and closing on Friday. More than 30 new products will be launched at the event.

Tomorrow evening also features the second RITA (Recognition of Information Technology Achievement) awards dinner, with trophies presented to six winners by Sir John Hoskyns, formerly head of the Prime Minister's Policy Unit and now a director of ICL.

The purchase of a business computer must be handled in a completely different fashion because you are purchasing a solution, not merely a capability. That, at least, is the theory. In practice, far too many installations founder because the computer has been bought for the wrong reason. Two golden rules are: never try to computerise a system that is

not working manually—you will end up producing the same mess, but ten times faster. And don't buy a computer because you think your business needs one—always buy it to do a particular task.

The correct procedure is to choose the application first, and from this the software, followed by the hardware. You may have a very specific application in

mind—in which case you may need to get the software specially written. Generally, though, you would be better off starting with a well-proven standard application, before moving into uncharted waters.

Unfortunately, the microcomputer industry has done the computer's reputation a great deal of harm by convincing everyone that computers are really only suited to the accounts department for the processing of payrolls, ledgers, invoicing and stock control.

The microcomputer, however, is much better suited to "personal productivity" computing than to this kind of heavyweight transaction processing. There is a whole new field of application known as "management computing," derived from the electronic spreadsheet programs, of which VisiCalc was the original and

best-known. Here the screen becomes an electronic sheet of paper ruled into rows and columns, and which can be used for all kinds of financial forecasting, modelling, budgeting and "what if" projections.

Two other standard applications are word processing, and database—which can best be thought of by analogy with a card filing system, in which particular records can automatically be extracted according to some specified criteria.

Using just one or two of these standard applications, it should be possible to pay back the purchase cost of the system within a couple of years and then move on to more sophisticated applications.

When selecting the software to run your application, make sure you obtain some hands-on experience with the package. Does it run in a consistent or

self-explanatory way? Is the documentation well written and presented? Is it easy to "crack" the program? And most important: will this program adapt to the way you run your business, or will you have to adapt to it?

Once you have selected the software, your choice of hardware to run it on will be more clear. Again, a word of warning: stick to the nationally advertised popular business computers for security and reliability. There are thousands of small-time business systems on the market which have only ever sold a handful and are not a good long-term investment either for compatible software packages or after-sales service.

With both software, hardware and your choice of supplier (the more important to a business installation than a home one), it pays to ask for existing customer references. A shop that offers the best discount from the manufacturer's suggested price, will find it difficult to supply vital facilities such as action and program tailoring, and still remain solvent.

Richard Pawson
Editor, Microcomputer-Praxis

Users soon discover that they need more than just a basic computer, as Elaine Williams reports.

Massive market for peripheral equipment

ONCE THE difficult initial task of choosing one of the many microcomputers on the market has been accomplished, users are then faced with another major obstacle in the shape of the computer peripheral.

The computer peripheral is any piece of equipment, however humble, which helps the user to communicate with or operate the microcomputer in the way intended. Peripherals range from terminals or keyboards which allow information to be directly typed into the computer through printers which provide a hard copy of the results to extra memory which allows the computer to carry out more complex tasks.

The peripherals sector of the personal computer market is the largest sector of it since users soon discover that they need more than just the basic computer in order to have a system which will fulfil their computing needs.

This sector is served by many hundreds of companies. There are small organisations which may specialise in just one type

of equipment alongside the main microcomputer manufacturers such as Apple, Commodore, Sinclair, Texas Instruments, Tandy, Sharp, Hewlett Packard, and Atari which may offer a range of extras to allow expansion of the smallest computer configuration.

Peripherals can be split into several major product areas—memory, input/output devices, interfaces, communications links and special instrumentation.

Every computer needs different sorts of memory for its operations and most computer users find that there is always room for greater capacity to store information. Information can be stored in a variety of ways. Most systems come complete with a certain amount of Read Only Memory (ROM) and Random Access Memory (RAM). Read Only Memory, as its name implies, is used for storing data—such as the computers main operating programs—which cannot be changed.

Ram, on the other hand, are used for storing user's programs,

which may be under constant revision, or information of a more temporary nature while the computer is doing calculations. Such memories are used measured in terms of bytes, usually eight binary digits. The amount of such memory provided with the basic system is often a measure of the computer's capacity.

Storage devices

Other types of memory such as "floppy disks," Winchester disks and magnetic tape in the form of cassettes are used for storing larger amounts of data and keeping them safe when the computer is not operating. These store user programs which have to be loaded into the computer's main memory to play games or work out accounts, for example. They also store basic data such as names and addresses in a business system which would be too expensive to store in the Ram or Rom type memories.

Floppy disks are rather like single record disks but are made from a flexible plastic and store information magnetically, as do most of the bulk storage systems. Winchester disks, which take their name from the town where IBM first invented them, are hard disks which can pack more information and allow the computer to retrieve the data stored on them faster than the floppy variety.

Even ordinary audio cassette tape recorders can be used for storing programs and data as magnetically encoded tones.

Whatever the memory capacity a particular computer system has it is useless unless there is some way of entering information or printing out the results of calculations.

In a computer, mainly used for playing games, the simplest way of entering information to control the movement of dots or electronic beasts on the screen is through either joystick controls or paddle controls.

Computers with more serious applications use full alpha-

numerical keyboards but all these can be purchased as individual peripherals to allow the user to change his system. It is even possible to input information by using a light pen or a graphics tablet for complex drawings.

Probably one of the most expensive pieces of equipment needed for a professional or home system is a printer. Prices for printers can vary from just under £80 from manufacturers such as Sinclair to several thousand pounds.

Wide choice

Printers vary both in quality and type from dot matrix to daily wheel and from impact printing to thermal varieties.

For example, Sinclair's printer has a full ASC 11 character set and the company says that it is capable of high resolution graphics. Other companies such as Siskosha, Epson and Smith Corona sell printers up to a cost of around £300.

Plotters for scientific graphs

and art work are usually more expensive because they require high quality reproduction and precise control.

Whatever type of peripheral is used there has to be some means of connecting the equipment to the computer. This is usually done with some form of interface device. Computers are usually equipped with input/output sockets to allow connection to basic devices but it is possible to buy additional circuit boards to link the central computing unit with several peripherals, to allow communication with other equipment or even teletext or teletype services, or to link more than one computer and remote terminals together.

The most common form of interface for personal computers is the RS232 standard, though there are many other systems on the market which allow equipments of different manufacture and type to work together. Interface circuit boards can be relatively cheap, costing around £20 or so.

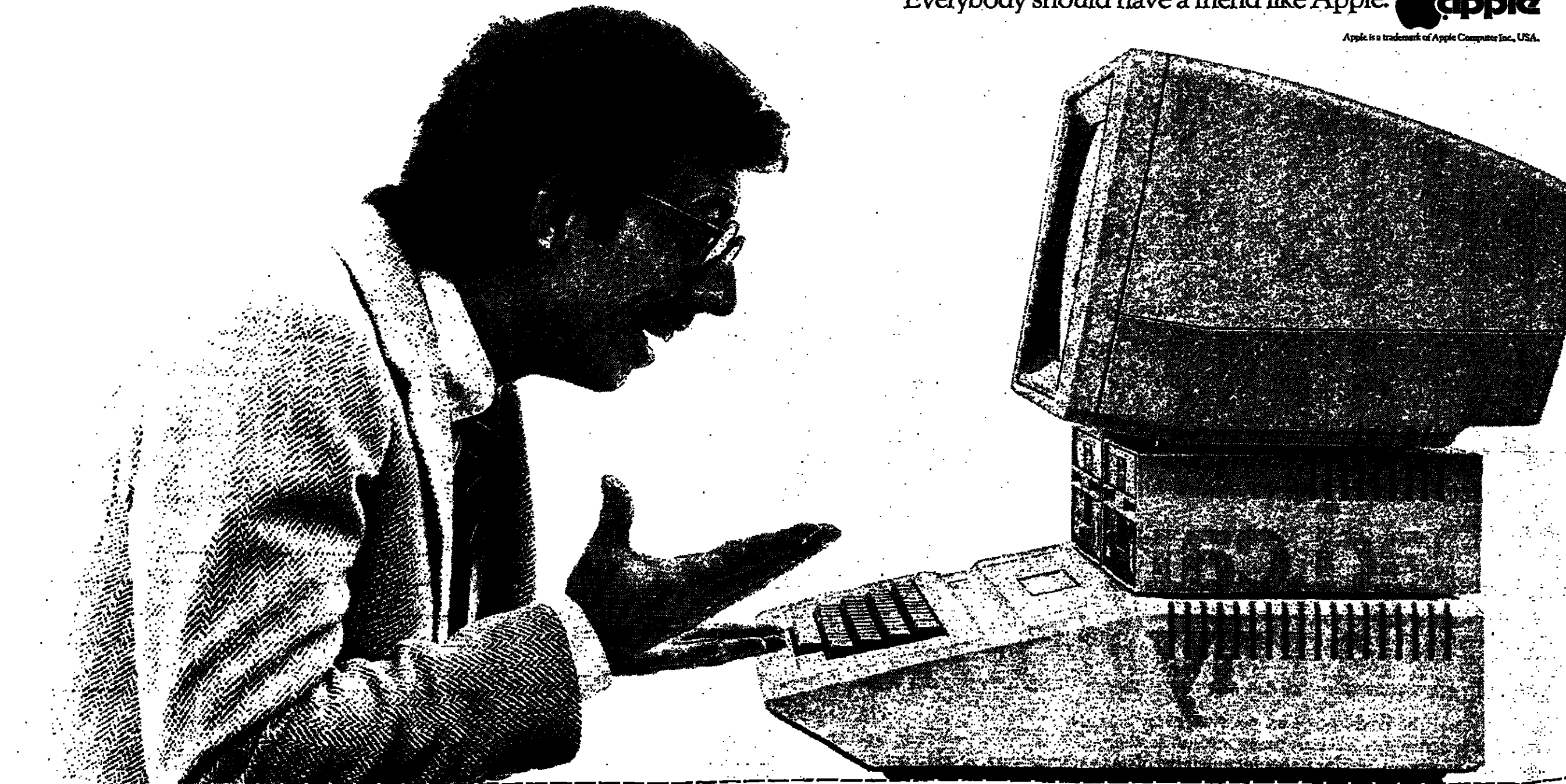
Businessman: Revise the Financial Report, graph the sales trends and send the complete report to Head Office.
Apple: Don't forget you have a Business Development meeting planned for 4.30.
Businessman: Thanks. I almost forgot.
Apple: Do you want the graph to show sales actuals against budget?

Businessman: Please. And I want last quarter comparisons for the past 5 years at the meeting too!
Apple: How about the Financial Report?
Businessman: No. But I'll need it for the monthly Regional Directors' meeting in Brussels.
Apple: What Brussels meeting? It's in London this month.

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PERSONAL COMPUTERS V

Another winner for Sinclair

TO MANY people Clive Sinclair appears to be God; others, however, might prefer to call him Mud. In the first category come many of the million or more people worldwide for whom he has made the world of personal computing available at a cost which only a few years ago would have seemed inconceivable. In the second category come some of those who ordered Sinclair's new computer, the Spectrum, on its launch last year, only to suffer delivery delays of, in some cases, three months.

These delays have now been overcome, according to Sinclair Research, and the Spectrum, currently being produced at a staggering 40,000 units a month, is well on its way to erasing the runaway success of the best-selling ZX81 computer, more than 500,000 of which are in use worldwide.

Admiration

After using a Spectrum for six months I can only express admiration for the technology packed into this little box, which measures only 133 x 142 x 30 mm. It has proved easy to program, despite a rubber membrane keyboard which tends to deter touch typists; and in spite of this, perhaps because of its single key key, word entry system: type "p" at the beginning of a line of instruction, for instance, and the computer types "PRINT" on the screen; this is a convenience for some, and a nuisance for others, but it saves on computer memory and certainly helps beginners to learn to program correctly.

With some 200 different functions and letters to be packed on to only 40 keys, learning the Spectrum keyboard might seem a daunting task but, as many parents will have already noticed, it only takes a bright 10-year-old a few hours to master it. The free tape that comes with the Spectrum contains an excellent keyboard trainer.

The computer comes with either 16 or 48 kilobytes of user available memory, at £135 or £175 respectively. I would recommend the larger version for its ability to hold sensible quantities of data, to play good versions of chess programs and complicated Adventure games. Its language is Basic, in a wide-

ly used implementation, while other languages will become available; its high resolution graphics are excellent, its use of colour adequate and its sound is quiet. This latter point may be an advantage to people who prefer their homes not to sound like an amusement arcade.

The Spectrum's user definable graphics allow you to design your own space invaders, for example, and save them on tape for future use. It loads and saves programs reliably, using even the cheapest of portable tape recorders.

Where the Spectrum scores most strongly over the competition, however, is in the sheer profusion—and cheapness—of both add-on hardware and software available for it.

A widespread industry has grown up to back up the Sinclair products, making games, utility and educational programs, as well as such things as sound boxes, add-on memory packs, drawing aids, joysticks for games playing, and so on.

In general, these are cheaper than their equivalents for other similarly priced computers. Also promised for the early part of this year is the ZX Microdrive—a microfloppy storage device which will allow the storage of 100k bytes of memory on a single disc and which is expected to sell for around £40.

During its two years on the market, the Sinclair ZX 81 has had to face little competition so far from similarly priced machines. With the Spectrum, the situation will be different: computers costing £200 or less are already on the market or promised from Commodore (Vic models); Acorn (Electron); Oric; Dragon; Computers (Lunar); Atari; Lowe Electronics (Colour Genie); Jupiter (Ace); Tandy; and Texas Instruments.

There seems little doubt that the Spectrum will remain well up among the leaders in this market for the next year or two but it is hard to see of the Sinclair may well find that it needs to tighten up on reliability—some of the early Spectrums have been suspect—and on its rather quirky sales and service arrangements. Sinclair tried to charge me twice for my Spectrum, presumably consumed with shame, they then tried to make two refunds!

Colin Inman



Peter Fisher, a millionaire at 32

A big success for Pete and Pam

THE STORY of Pete and Pam Computers of Rosendale, Lancashire, is a commercial fairy tale—the story of how two social workers in inner London bought a personal computer and became millionaires in less than two years.

Its real origin may lie in the fact that Pete—Peter Fisher—was always the sort of child who dived with a net and worked hard at his studies. He and his wife, Pam, who was also a social worker, moved to a house in suburban Los Angeles at the height of the space programme. Both also say they have entrepreneurial spirits.

But the story only really got under way when Charles and Pam saw the story of how two social workers in inner London bought a personal computer and became millionaires in less than two years.

They soon realised from regular trips to visit relatives in California that much of the equipment for their Apple in the dealers' shops in Los Angeles was not available in Britain.

Took a chance

So, before going to the U.S. for their summer holiday in 1981 they decided to take a big risk: They scraped together £12,000 to buy equipment for Apple computers and, before they left, placed an advertisement in a UK computer magazine.

Among the items they bought were business programmes and \$9,500 worth of software to make more programmes compatible with Apple computers.

"At first there was a very poor response," said Pete. But they persevered, put in a telephone answering machine and worked as social workers during the day and answered inquiries and wrapped packages in the evenings.

In the first month—September, 1980—they sold goods worth £2,500; October, £4,500; November, £11,500; December, £24,000; January, £40,000.

Customers had started asking for items that Pete didn't have and new stocks had to be ordered from California. By March, they had given up their jobs and spent much of their time flying the Atlantic with large suitcases.

"Anything we saw that was new for Apple we worked out we could probably sell 10 of them," says Peter Fisher.

"I once checked in over a ton of excess baggage at LA airport," he says. Three hours of the flight home was spent filling in customs forms. The purchases were financed by family loans and credit cards. When the business started getting out of hand they took all their paperwork round to Coopers and Lybrand, in courier bags, and asked them to sort it out.

For the year ending November, 1981, turnover was £1.7m with profits of £290,000 and for the 12 months to November, 1982 £4.5m with profits of £750,000.

Turnover for 1983 is expected to be between £7m and £8m; the company has 37 employees; it markets a range of 1,000 items and has 600 active accounts, ranging from computer dealers to multinational companies.

Pete and Pam import their goods—now for IBM personal and Strins, as well as Apple—in a weekly air freight shipment, rather than in suitcases. But they still spend one week in six in California, talking to computer manufacturers, looking for what is new.

Future plans include the possibility of distributing a computer range—if they can find the right one—and perhaps seeking a quote on the Unlisted Securities Market.

Their original Apple still has a place of honour in their home, but now their business is conducted on an IBM 586 computer.

Pam, aged 30, is expecting her third child, so Pete, aged 32, is having two terminals put in at home so they can spend more time with their children.

Raymond Snoddy

USER'S VIEWPOINT BY DAVID JONES

A dealer's help can be crucial

DON'T LET yourself be put off by the stack of manuals that arrive with your computer. The mountain will prove to be as reassuring as it is initially intimidating.

The quantity of information that had to be assimilated in those first few days after unpacking my Apple computer, its disc drives, screen, printer and software was alarming—or so it seemed at the time. Now, a year later, I tend to think that documentation is not always sufficiently comprehensive.

The variation in the intelligibility of the handbooks was enormous. The Apple documents themselves were of a high standard if sometimes rather maddeningly organised. The handbook that comes with the Epson printer, however, was an outstanding example of how not to explain a new machine to a layman.

One of the main faults in the Epson manual, and one which tends to be a characteristic of the personal computer industry as a whole, was that it failed to explain clearly the relationship between the printer, the Apple computer and the software.

Printers are often sold in ignorance of the computers they are to be used with or of the software to be run. Computer manuals are written without knowing which printers and software are to be used. And although program manuals take into account the computer to be used, they frequently only mention whether the program is broadly compatible with a particular printer, and not whether there are any special commands or features that must be taken into account.

The difficulties of compati-

bility can be even more complex. The capacities of most computers can be stretched by fitting so-called boards, containing extra circuitry and chips. These may work with some programs and not with others.

Difficulties

Yet, despite the difficulties associated with so many separate manufacturers and software houses supplying the market place, the industry's publicity (and more reprehensibly its magazines) plays down the problem of compatibility as if it were of only minor significance and irritation. So it may be for a computer buff who has many hours to pore over difficulties, but it's a different matter for the normal mortal who just wants to understand as quickly as possible how to make his equipment perform properly.

At times such as these the knowledge and readiness to help of the dealer becomes crucial. I have much to thank Chris Gillard of Pete and Pam Computers for in providing support, for example, in making a graph-drawing program called Appleplot work satisfactorily on an Epson printer.

Pete and Pam Computers tries to keep in touch with its customers so that, if one solves a particular problem, the solution is available to its other customers. Would that more dealers adopted the same approach.

Moreover, newcomers and even more experienced users are immensely vulnerable to the dishonest software salesman who pretends to know well the program you are interested in, but in practice has barely used it. There can be few consumer markets where the purchaser is at more of a disadvantage than with personal computing equipment and software.

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CASE STUDY ON NEW APPLICATIONS

An aid to farmers

AS A farm management consultant with 17 years' experience with ICI, Iain Rennie knew that he had to be prepared to get mud on his boots if his advice was ever to be taken by the farming community.

Now that he has left ICI and set up as a freelance, travelling round the farms in Hampshire with a portable computer in the back of his car, he is more than ever aware that there must be mud on the edges of the print-out if its verdict is to be trusted.

His aim is to harvest data on the farm, feed it into his portable, and use new technology to help solve the practical problems of practical men.

Although he has only recently started his service, he already has 20 clients and two agricultural merchants have expressed interest.

For one farmer, Iain Rennie uses his computer to go through the books, work out cash flows and predict future credit needs. He then takes the printer to the farmer's local bank manager to negotiate the loan.

Both the farmer and the bank manager are greatly relieved, he says.

Another farm has a severe management problem. There is no proper identification of individual cows and no way of establishing accurate lactation records.

"It will probably take me half a day a week for a year to sort it out," says Rennie.

Iain Rennie set to work with his computer because ICI was phasing out his job as a general farm management consultant. He had the choice between becoming a more technical consultant, advising specifically on ICI products, or voluntary redundancy.

It was time, he thought, to try out his idea to make computing power available to more farmers, so he chose redundancy. There was one problem. He knew hardly anything about computers.

"I knew what I wanted. I wanted something small and portable, with good storage and handling capacity which wouldn't cost too much if I made the wrong choice," he says.

He set his sights on the Osborne Partner at £1,250—but they began writing programmes on farm cash flows and budgets. "I was terrified by computers to start with. I am glad I had my two sons to interpret it all into English for me," says Mr Rennie.

James and Andrew Rennie's programmes are being used together with software developed by Farmfax, a Hampshire company which specialises in computer packages for agriculture.

Raymond Snoddy

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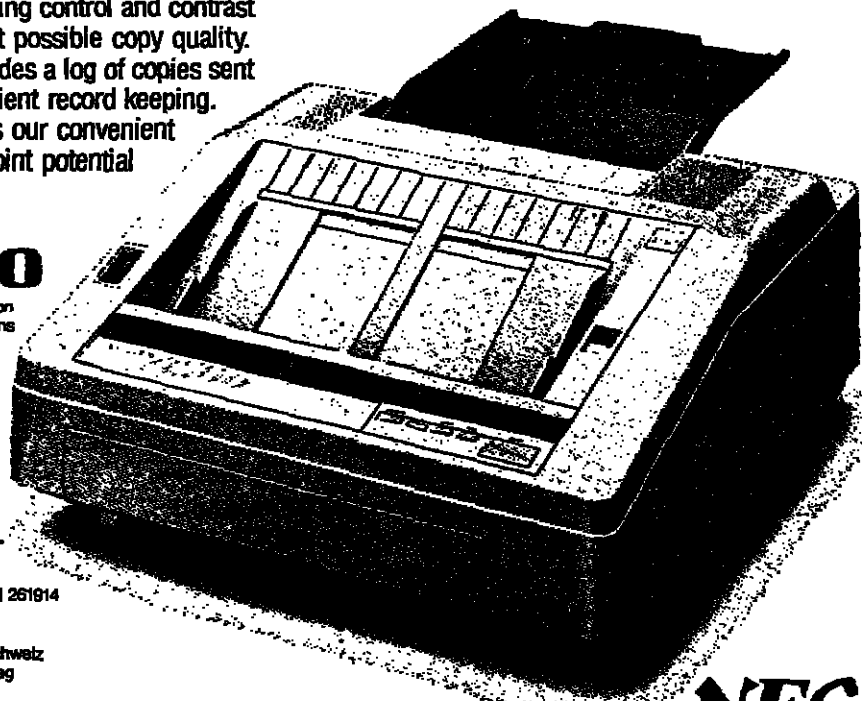
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PERSONAL COMPUTERS VI

How student programmers show the way

COMMERCIAL SPIN-OFFS from Britain's universities have become almost commonplace. But 10 years experience with computers at King Edward's Five Ways School, Birmingham, has led to something more unusual—a commercial spin-off from a secondary school.

Five Ways Software is in the process of moving from post-cabinets in the school grounds to proper offices. And Mr. Tony Clements, the director, who is still, technically, a maths teacher on the staff of King Edward's, is about to cut his last link with the educational system and take charge of a commercial company producing educational software.

The management of Five Ways are teachers while the programmers are 18-year-old pre-university year students from all over the country.

A new tier of "middle management," aged about 22, is beginning to emerge as former pupils come back, their university studies completed. Already, Five Ways has produced 15 software titles which have been distributed by Heinemann, the educational publishers. Eight more titles are about to be published and a further dozen are in the pipeline.

They range from programmes on the French language to a physics course on lenses and weather for geography students.

Tony Clements has always believed that computers were made for schools and could enhance the teaching of any subject. So, since 1972, he has been running a computer programme at King Edward's on "a shoe string"—trying to ensure that as many children as possible were exposed to microelectronics.

When the Government decided in 1980 to spend £2m over a four-year period in boosting the use of computers in secondary schools, King Edward's was a natural choice to become first a regional centre and then, when the organisation of the scheme changed, a national centre for producing educational software.

The young programmers, using the Acorn BBC, Machines of Oxford, Sinclair Spectrums and Apple computers, earn between £3,000 and £5,000 a year. The experience, Tony Clements believes, makes them highly marketable. About 150 apply for the five or six places, Clements observes sadly.

Britain has a world lead in software Clements believes and "we have a potentially huge untapped source of talent in the schools."

"Go into any secondary school, and depending on size, you could find 100 youngsters capable of making good pro-

grammers," he argues. Pupils are not, however, being challenged enough in most schools—there are too many computer games and not enough production of software for use.

His young programmers, he admits, have little concept of the importance of the worldwide information technology revolution, but this is more than offset by their investigation, hard work and the fact that, unlike adults, "they have no hang-ups about computers."

The teachers—now management—are themselves being challenged by the need to develop commercial skills. They have called in an international accountancy firm for business advice and a development plan is taking shape.

Unless there is a big expansion of the use of computers in primary schools, Mr. Clements believes the school market is unlikely to sustain the company.

He is pinning his hopes on "educational software for use in the home, and on industrial and business use."

Already, Five Ways has produced software for large companies, including programmes to train managers in the use of microelectronics, and for computer aided design.

"We expect to break even in 1983 and make a profit in 1984," says Tony Clements.

Raymond Snoddy

Strong interest in micros at the secondary level of education

Hopes among educators are high

WHEN NEW Year's day cut off commercial prices of further Spectrum computers or, if the school prefers, to pay the full price, another printer tree of change.

But of the first 2,000 orders placed, the Sinclair system has attracted only about 5 per cent. "It may be that schools feel the Spectrum can't be expanded as much as they would like," said a senior official concerned with the primary scheme.

"And since a major use is getting children to write stories into the equipment and then progressively correct and improve them, there may be a disadvantage in that Sinclair's keyboard is relatively harder to manipulate."

The RIM 480Z, thought to be the most robust of the three options, has drawn some 20 per cent of the first orders even though Research Machines does not seem to have any promotional offers of its own.

The front runner by far, with about 75 per cent, is the BBC B. Schools choosing it receive free of charge a medium of network-adaptation equipment.

"So heavy" a preference seems a bit surprising given that there were early doubts about the model's being tough enough to resist lots of clumsy little hands," the official commented.

"The box and keyboard are now stronger than they were originally, but whether they are brat-proof has still to be seen."

The fears that the educational

part scheme for primary schools. Educational authorities tend to believe that it is at the primary stage that computers can be most beneficial, particularly in stimulating the majority of children who are unresponsive to conventional lessons and by the time they leave the primary stage are liable to be alienated from education for ever.

The promotion scheme for the foundation level of schooling—again a central Government offer to fund half of the cost of equipment for each of the UK's approximately 27,000 state and independent primaries—is relatively new. The offer opened on October 1 and will close with the end of 1984. But there are widespread fears that whatever the take-up, in most cases the potential educational benefits of the installations will go largely unrealised for many years if not for all time.

Three systems are available under the primary scheme. They are Research Machines' 480Z, the BBC/Acorn Model B and Sinclair Spectrum.

In September Sinclair started a marketing drive with a three-pronged offer to schools which opt for its equipment which is based on the 64K memory version of the Spectrum.

Schools choosing it can obtain free of charge a ZX printer priced at nearly £80, a free copy of the much praised Logo language created especially for children in accordance with the educational principles of Jean Piaget, and 10 vouchers each

worth about £45 off the normal price of further Spectrum computers or, if the school prefers, to pay the full price, another printer tree of change.

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"The box and keyboard are now stronger than they were originally, but whether they are brat-proof has still to be seen."

The fears that the educational

opportunity presented by the primary school scheme may be missed do much to counter the war. Plenty of it is under development and although some will inevitably be substandard, educational inspectors believe that the bulk will be more than adequate and a fair amount excellent.

By the end of the year about 120 different programs should have been made available under the Newcastle-based Microelectronics Education Programme set up by the Government in 1980.

Other software is being produced independently. An example is the Ginn program which simulates an archaeological dig and the recovery (or possibly more often mangling) of the Mary Rose.

A greater worry is that all the three approved systems, email cassette memories which do not provide the storage facilities required for the best primary educational uses. The writing, correcting, reshaping and so on of a program is a case in point. Clearly, in the long run, disc memories would have been better.

But the storage facility of at least two of the options can be improved. There is already a disc drive available for the BBC model. Since the extra equipment is listed at about £250, however, the Spectrum might well gain ground when Sinclair markets its microdrive device in the spring at around £50.

Michael Dixon

Four distinct markets have emerged

THE MARKETING and distribution strategies adopted by the major manufacturers and suppliers of personal computers are likely to be the key factors in the market's expansion over the next few years.

With the rapid technological developments of the past decade—and the inevitable combining of prices—the consumer market needs to be persuaded with marketing techniques, not too dissimilar from those used by detergent manufacturers, in the choice of a particular personal computer. Hence the decision by some suppliers to use even television advertising—especially in the commercial break during News at Ten which has the right sort of audience likely to be persuaded to buy.

A year or so ago it would have been unthinkable for personal computers to be featured in television advertising. In this way—television is notoriously a costly medium for selling specialist products with no guarantee of reaching the right target audience—but so intense has become the market for personal computers that it was almost inevitable that it would be adopted as a marketing ploy.

This is borne out by a recent survey of more than 1,200 businessmen, carried out by the Romac consultancy, which found: "Businessmen, as distinct from home hobbyists, most concentrate on running a successful operation; relatively few wish to risk the serious consequences of pouring hours down the bottomless black hole of do-it-yourself computing."

The largest retailer of personal computers in the UK is Tandy, which has some 223 shops in the UK and a further 94 dealerships.

Other companies include Curry's, which has a number of specialist computer outlets, and "Byte Shop Computers."

Total sales of specialist computer shops were estimated at some £75m in 1982 and are expected to top £100m this year.

Apart from these specialist shops, a number of other retailers are involved in selling personal computers as part of their overall product range. These shops include W. H. Smith, Boots, Dixons, and Hamleys.

Another major area of retail distribution is mail order, although there has been considerable consumer dissatisfaction in recent months at the delay in dispatching orders by some of the companies.

The increasing importance of the manufacturers' attach to the personal computer market is shown by Burroughs' decision to appoint Mr. Or Hornby as Third Party Marketing Manager in the UK.

Mr. Hornby has joined Burroughs from Apple and was previously with IBM. In a break with tradition, Mr. Hornby will be introducing new distribution channels for Burroughs products, including the B 20 range of micros.

Philips Business Systems, another major manufacturer, is also tackling its marketing for microcomputers in a new way.

Mr. Tony Neilson, divisional

director, says that "we will be selling our products in the volume market through direct distribution channels—system houses, micro systems specialist software houses, and office equipment dealers."

The man responsible for organising this new distribution chain, Mr. S. Rodriguez, will be appointing 39 members of the network by the end of 1983. The target is complete UK national coverage via 80 outlets by 1985.

Another distribution system being developed by some suppliers is to run a franchised operation. EMG National Micro Centres, a member of the privately-held EMI group of companies, has plans to establish some 200 micro centres by franchising throughout the UK.

From the consumer's point of view, the Consumers' Association suggests that the potential purchaser might consider buying one of the cheaper models (or even a secondhand one) before investing a lot of money in a sophisticated system.

In addition, it concluded that "buying a computer can be frustrating." It found that "members buying by mail order were often involved in a long wait for delivery." Computer shops, moreover, were not always knowledgeable as might be expected. "The Computer Retailers' Association operates a code of conduct and will investigate complaints against its members," the association adds.

David Churchill

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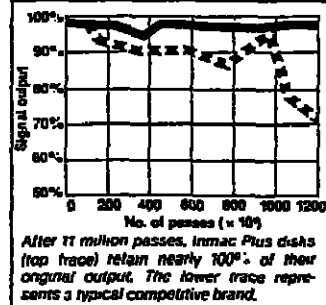
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